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10 BRIEF INFO ABOUT ECONOMY COURSE (PCB14-RAFTAAR)

Economy Area	Covered?	Comment, if any
Prelims	Yes	Yes- theory, current, NCERT, Budget, Economic Survey, MCQ, PYQ- everything covered.
Mains	No	Separate course for it. You've Two Options: (A) Wait for next Live Mains-course (QEP6) in Aug'25 OR (B) finish from Past Recorded Course (QEP5)
Micro Economics	No	UPSC asked only 2 question in last 13 years. Finish from Recorded Course of 2023-May. Click Me

- 2026 strategy / roadmap / planner video: unacademy.com/class/upsc-2026-study-plan-lessons-from-prelims-2025/SKWBG50C
- Syllabus, Strategy, Booklist, Cut-off: <https://mrunal.org/syllabus>
- Economy Booklist = Explained in LECTURE Number#1.
- Basically this PCB-Raftaar Course deals only with Prelims-Specific Economy.
- **Old Students (PCB1to13) Need NOT Sit again. They shld see FREE UPDATES [Win##] at [Mrunal.org/win25](https://mrunal.org/win25) as per the table given in it.**

10.2 MYTHS ABOUT ECONOMY FOR UPSC PRELIMS

4) मैं कोई पिस्टल नहीं दिखा रहा. मुझे परीक्षा के लिए काम का लगा, उतना नोट्स लिखा है। आपको पढ़ना है तो पढ़ो। नहीं पढ़ना है, तो मत पढ़ो।

this is not Mrunal



this is not you.

your handout is very long.

Babushone

if u don't want to study, then don't study. I'm not putting gun over ur head

1) im too lazy to update my content so i'll peddle propoganda ke "only concepts are imp in Economy." "UPSC is testing IQ nahi EQ", "तम्बूरा हाथ से नहीं मुँह से बजाओ" read my thin book. सिर्फ मेरी पतली किताब देखो।



2) Coaching Mafia Lazy Teachers

3) toppers/vloggers who want to look cool / don't have time to make lengthy videos.

7) im such as blind-fan of my sir/topper that even after exam is over, i'll not analyse reason for my failure! मैं तो इतना अंधा फेन हूँ की असफता के बाद भी मूल्यांकन नहीं करूँगा, की उनकी सलाह सही थी या नहीं।

5) (Pre-2022) Find Correct:

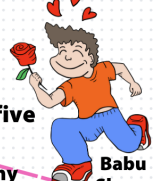
1. In India, credit rating agencies are regulated by RBI
2. The rating agency ICRA is a public limited company.
3. Brickwork Ratings is an Indian credit rating agency.

4) Meanwhile UPSC asking Facts

1. Demographic performance
2. Forest and ecology
3. Governance reforms
4. Stable government
5. Tax and fiscal efforts

Codes: (a) Only two (b) Only three (c) Only four (d) All five

1) lets make tougher MCQ

Babu Shone



Topic	2023	2022	2021	2020
MCQ on Pvt Shipping Ports	YES	NO	NO	NO

@UPSC why did u ask it!
mere Topper Bhaiyaa/Didi ne bolaa tha, u'll not ask it!

ignore ports. bcoz UPSC not asked in last 3 years! just watch my clickbait "100 MostIMP topics" video.

vloggers/ royal entry toppers

Babushone

I didn't sign this!!

UPSC Examiner

मैं UPSC examiner stamp-paper पे लिख के देता हूँ i'll never ask from this topic!

I'm not making Memes for everything, otherwise pages will increase so just accept following:

Myths	Reality
In Economy, ONLY concepts are important for UPSC.	Both facts and concepts are asked.
if something is not asked in the last 3 years, then such topic will never be asked.	UPSC examiner asks trend-breaking questions.
if some economy topic is older than one year, then it is not important. Only last one year current affairs is important.	UPSC asked many Economy MCQs from events older than one year.
We've to read economic-times, business line, etc newspapers.	NOT required.

10.3 PYQ ANALYSIS: INCREASED DIVERSITY IN ECONOMY TOPICS IN PRELIMS

- From table given below, you can see that the diversity and variety of economy MCQs questions has increased/changed in recent Prelims, **so it is inevitable that handouts will get lengthy.** जब प्रश्नों की विविधता और जटिलता बढ़ रही है तो ये लाजमी है कि ज्यादा नोट्स लम्बे बनाने पड़ेंगे.
- So, please do not be fooled by the "**negative-PR toolkit**" circulated by Delhi-offline coaching mafia against my notes via timepass vloggers, bikaau-royal-entry toppers and Reddit Trolls.
- Black background cell** = NOTHING asked from said topic in that year.

Pillar	2025	2024	2023	2022	2021	2020
1A1_Digital Payment & Bitcoin	(1) NEFT-RTGS pe fees (2) UPI deal with foreign nations	e₹ by RBI	CBDC & SWIFT	NFT ke features	NOTHING asked	Blockchain Technology
1A2_Monetary policy			Central Banks globally hiking loan interest rates	RBI responsible to control inflation	(1) Money multiplier increases when (2) Indian Bond Yield influenced by what factors	(1)expansionist monetary policy (2) multiplier If you withdraw 1lakh in cash
1B1_Classification Bank NBFC	(1) SEBI- BRSR	Foreign Banks		Credit rating agencies	Lender of last resort means what UCBs regulation	District Central Cooperative Banks



Pillar	2025	2024	2023	2022	2021	2020
						(DCCBs)
1B2_NPA/Bad Loan Burning Issues	RBI profit from seigniorage	Syndicated lending		BBB	Appointment of RBI Governor	Interest Coverage Ratio
1C_Sharemarket, companies act, CSR	(1) SEBI advisory on option trading (2) AIF (3) bond holder ke rights	(1) US treasury bonds (2) C-Bond participants (3) CSR (4) ETF (5) CBLO (6) Debt-platform	InVITS pe Income Tax & SARFAESI Act (2) Capital markets ke sub-markets (3) Beta in Sharemarket (4) intangible investments (5) Capital Expenditures of a company	IIB pe Income Tax Convertible Bonds	Stock Market: NDS-OM & CDSL	Call Money & other instruments (2) non-financial debt
1D1_Insurance						cyber insurance
1D2_Pension		PM-Shram Yogi			Causal Workers get EPFO or not	
1D3_Financial inclusion			SHG ko Loans			Kisan Credit Card scheme
2AB_Tax_FC	(1) Agri pe income tax (2) FC grants (3) ED-ministry pairs		15th FC Horizontal Formula	Vodafone indirect transfer	Black Money is bad why?	
2D_FRBM Deficit Disinvestment	(1) FD calc. (2) PD calc. (3) budget classfn.			G-Sec and Household Savings		FRBM Docx
3A_BoP import export FDI/FPI		Apple import	Switzerland Gold export (2) India ka global export data & PLI	Tea Board ka Dubai Office	FDI types of instruments	FDI Meaning (2) India import-export data (3) SriLanka Trade (4) WTI Oil Contract
3B_currency exchange			RBI s Sterilization	NEER-REER currency exchange and RBI Action (2) ECB & Fed Tapering	Devaluation	Gold Tranche (2) GFC- what NOT to do
3C_intl.org agreements	IBRD loans		USA-EU Trade and technology Council (2) EU s Stability Growth Pact	IMF Loan facility (2) G20 Common Framework (3) AIIB-MTCR-SCO		TRIMS Agreement
4A_AGRO	Gokul Mission	(1) farmer capital (2) Land records (3) Grains council	Small Farmer Large Field (2) Nigarseed pe MSP			price of rice affected by public investment in agri MSP All/



Pillar	2025	2024	2023	2022	2021	2020
						NEVER
4B_Mfg Services E-Commerce MSME IPR	(1) circular eco (2) Coir board	Sectors classification	MSME & PSL	Videshi e-commerce firms		
4C_NITI PC FYP; unemployment		Venezuela Economic model		Vietnam economy growth (2) Org 4 industry dispute		1991 liberalization impact on rural area
4D_GDP				real sector in the economy	Counter-cyclic policy to combat recession	
4E_Inflation					Demand-Pull inflation (2) Printing money causes inflation	CPI vs WPI
5A_Infra- Energy Water	(1) PM Surya ghar (2) critical minerals (3) PNGRB			Coal Controller s Organization (CCO)		
5B_Infra- Transport		Greenfield-Airports	Private Port etc Infra Corridors			
5C_Infra- Rural Urban			S3i ke Infra sectors	Sanitation Coalition		MPLADS
6A_HRD- Health Hunger Malnutrition		(1) TFR (2) PM-Surakshit Matritva (3) nations ↓ pop.	(1) Janani Suraksha (2) Anaemia Mukta Bharat	Ayushman Bharat Digital Mission		
7_Microeconomics					substitute & inferior goods	
TOTAL	20 MCQs	20 MCQs	20+ MCQs*	20+ MCQ	14 MCQ	20+

- Free Download Topicwise PYQ booklet at <https://unacademy.com/content/upsc/downloads/>
- ## Note on above table: Every teacher always wants to show that more number of questions are asked from his subjects. E.g. Economy teacher will say WTO = economy topic whereas IR teacher may disagree. No need to get into 'emotional-fanboy-outrage' around it.

10.3.1 PYQ Analysis: Marks Distribution in UPSC Prelims and Mains

6 Pillars of economy	Prelims P1 (GS 100  ? MCQs)									Mains GSM-1-2-3 (750 Marks)								Utility in exam
	2018	2019	2020	2021	2022	2023	2024	2025	2018	2019	2020	2021	2022	2023*	2024	2025		
 1_Money Banking, Finance Insurance	7	7	9	6	8	7	10	7	0	0	15	15	0	0	0		Most useful in Prelims but less in Mains	
 2_Budget	4	1	1	1	3	1	0	6	25	25	15	20	0	15	0		Second lowest utility after 5_Infra but	



, FC, GST																	Pre'25 was trend breaker
3_Intl Trade	4	7	7	2	4	3	1	1	30	0	15	15	0	0	0		Third lowest utility after 2_Budget.
4_Sectors, GDP, Inflation	3	8	5	5	4	4	5	3	50	65	55	60	85	110	60		Useful for both prelims and Mains.
5_Infra	1	3	1	0	2	4	1	3	15	15	15	30	20	10	35		Lowest utility among 6 pillars. But pre'25 trend breaker
6_HRD	6	2	0	0	0	2	3	0	60	75	85	45	20	95	45		More useful in Mains than Pre
Total	25	28Q	23Q	14Q	21Q	21	20Q	20Q	180m	180m	200m	185m	125m	230m	140m		---

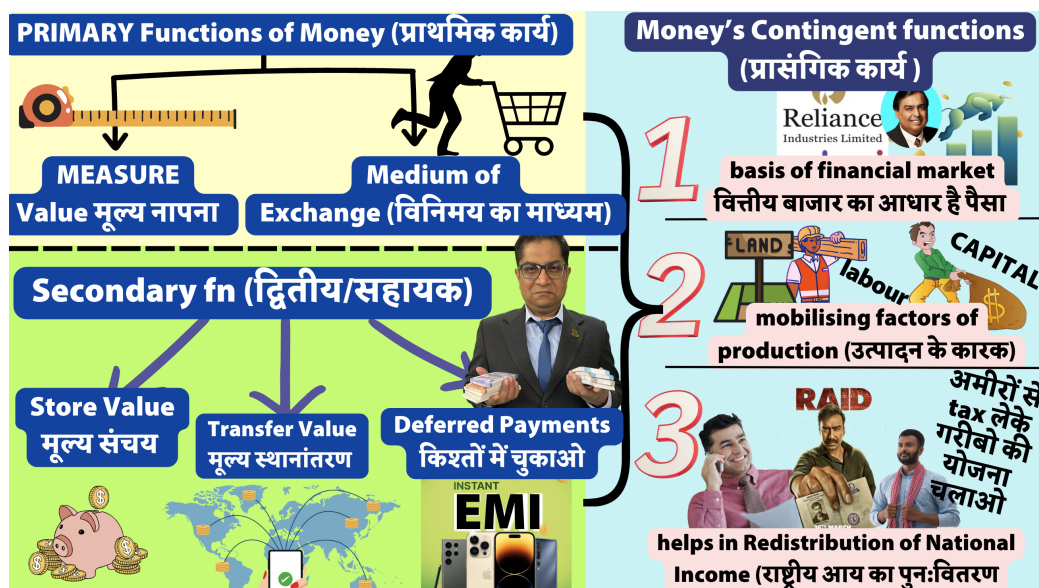
Economy Pillar #1-A1) Money: Barter to Bitcoin

10.4 BARTER SYSTEM & ITS DISADVANTAGES: (वस्तु विनिमय प्रणाली)

Barter system was introduced by **Mesopotamian** tribes. It has following challenges: (चुनौतिया)

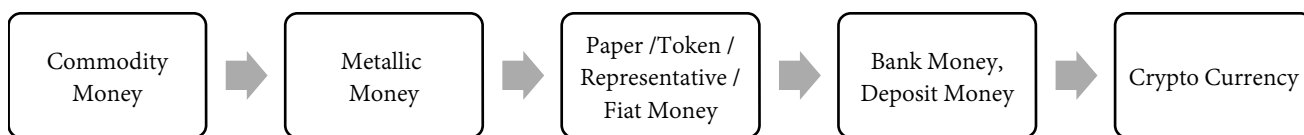
- Double co-incidence of Wants (आवश्यकताओं का दोहरा संयोग नहीं होगा तो व्यापार असंभव).
- Search Cost & Transaction cost is high. (सही दाम पर चीज ढूँढने व लेनदेन की लागत बढ़ जाती है)
- Storage of perishable commodities is difficult, results in loss of value. (नाशवान वस्तुओं का मूल्यहास)
- Doesn't encourage specialization and division of labour (श्रम विभाजन को प्रोत्साहित नहीं करता).

10.5 MONEY: FUNCTIONS OF (पैसे के कार्य)





10.6 MONEY: EVOLUTION & TYPES (मुद्रा की उत्क्रांति व प्रकार)



10.6.1 Commodity Money / वस्तु मुद्रा (Intrinsic value: अंतर्भूत मूल्य? Yes)



- ⇒ Iron Nails, Bear Pelts, Cocoa Beans, Whale Teeth, Gold Nuggets
- ⇒ **Problems?** Perishable, not uniform, not pure, foreigners may not accept. नाशवान, एकसमान नहीं, शुद्ध नहीं, अस्वीकार भी कर सकते हैं।

10.6.2 Metallic Money / धातु मुद्रा (Intrinsic value? Yes)

- ⇒ Traders & Kings stamped their marks on gold nuggets for uniformity & trust. (सोने पर अपना चिन्ह/छाप लगा देते – ताकि लोगों को उसकी शुद्धता पे यकीन हो)
- ⇒ Indo Greek kings & Kushana kings issued gold coins, but Gupta Gold coins most spectacular- king is playing Veena, shooting animals, standing with wife. (इन राजाओं ने सोने के सिक्के निकाले थे)
- ⇒ Delhi Sultanate Kings: **Silver Tanka**. Sher Shah Suri **Rupiyah** silver coin. Akbar: **Muhr**.



Further SELF STUDY: History of Indian coins from History Lecture/Notes.

10.6.3 Metallic Money → Full Bodied vs Token Coins

Table 1: Types of Coins

Full Bodied Coins	Token Coins (प्रतीककात्मक)
Gupta Coin: ~8 gm GOLD	50 paisa modern coin: ~4 gm steel
Intrinsic Value (अंतर्भूत मूल्य) is Equal to or MORE than its Face Value (अंकित मूल्य)	LESS. (धातु एकदम सस्ती वाली इस्तेमाल करते हैं या बहुत ही कम वजन की धातु इस्तेमाल करते हैं)
Challenge? ⇒ Debasement: ↓ decreasing the amount of metal in coins. Usually happens when king's rule gets weak/poor ⇒ e.g. Aurangzeb, Roman Kings. (सिक्के में धातु की मात्रा को कम किया जाए तब लोगों का उस राजा के शासन से विश्वास कम होने लगता है)	⇒ 1330s: Tughlaq's Token coin experimentation = #EPICFAIL (Why? Read in History). ⇒ Modern Indian coins are token coins. Cupronickel metal used to discourage melting. ⇒ Coinage Act 2011 prohibits melting of coins. (सिक्का पिघलाना एक अपराध है)

FAQ by Zhande-walle Babushone: I've 25 jaat ke Qs about whether "X" can be called "Y" & **Trump's decision to cancel Penny coin**. Ans. As Coaching teacher, I have finished the topic as per its exam-utility. Further Ph.D doubts Ask chatGPT.

10.6.4 Intrinsic value of a coin vs paper currency note? (अंतर्भूत मूल्य)

PRECIOUS METAL COINS (धातु के सिक्के)	PAPER CURRENCY (कागजी मुद्रा/नोट)
Metal has INTRINSIC VALUE i.e. Metallic	You can't use currency-note's paper as a



PRECIOUS METAL COINS (धातु के सिक्के)	PAPER CURRENCY (कागज़ी मुद्रा/नोट)
money = Use it as "money", or you can melt the metal → use that metal for making jewellery / weapons because metal itself has its value / usages. (उस मुद्रा की धातु पिघला कर कुछ और चीजे भी बना सकते हैं. क्योंकि धातु का अपना : अंतर्भूत मूल्य / उपयोगिता है.)	notebook or diary. So currency notes have no intrinsic value. (उसके कागज का उपयोगिता कुछ नहीं है, क्योंकि उसपे छपाई कर दी है.)

10.6.5 Fiat money (वैधानिक मुद्रा):

Fiat Money

YES!

YES!

NO!

Lender must accept

Legal Tender (LT)

NOT L.T. IN INDIA

withdrawn, but still legal tender.

NOT L.T. IN INDIA

Fiat Money **MUST** fulfil two conditions **SIMULTANEOUSLY**: दो शर्तों का एकसाथ पालन :

- It **MUST** BE in the form of Physical Currency Coin / Physical Currency Notes / VirtualCoin/ DigitalCoin/ CryptoCoin which can measure value **AND simultaneously** और साथ ही साथ
- It **MUST** BE issued by the order of a King / Queen / Government / Central Bank.

	⇒ Govt issues all coins upto ₹ 1,000, using powers of powers of Coinage Act 2011. ⇒ Presently, govt issues Rs.50 paisa to Rs.20 coins. ⇒ Rs.20 coin: 12-sided Polygon shape (Dodecagon आकार: बारह बाजुओं वाला चतुष्कोण है) ⇒ ₹ 1 Note signed by Finance Secretary (वित्त सचिव) ⇒ ₹ 1 note doesn't contain "I promise to pay bearer..."
	⇒ RBI issues: Currency notes other than ₹ 1 Note under RBI Act 1934. ⇒ Currency notes have Governor's sign: "I promise to pay bearer..."

FAQ: why is it like this!!!!?? WHY CAN'T RBI ISSUE BOTH coins & currency notes!!!?

Ans. Send your suggestion to PM, to merge above two laws. Until it's implemented, remember table for passing exam. प्रधानमंत्री को कागज लिखो- दोनों कानूनों का एकीकरण करने के लिए. जब तक वह नहीं होता handout रटो।

10.6.6 Legal Tender (वैधानिक निविदा)

To become a 'legal tender', a given coin/currency **MUST** fulfil two conditions **SIMULTANEOUSLY**: एक साथ दो शर्तों को पूरा करना होगा.

- It must be a FIAT MONEY (जो हमने ऊपर के सेक्शन में पढ़ा). **AND SIMULTANEOUSLY** और साथ ही साथ



2. It must be legally valid for all debts & transactions throughout the country. Other party can't refuse to accept. (लेनदार उसको अस्वीकार नहीं कर सकता)

Table 2: fiat money and legal tender in India

ITEM	A) Is it in form of a physical coin OR physical Note OR Digital Coin that can measure 'value'?	B) Is it issued by Central Bank / Govt / King / Queen	C) Result: Is it Fiat money? (YES If Both Cell A+B give +)	D) At present, is it legally valid for transaction in India as per Coinage Act or RBI Act?	E) Is it LEGAL Tender in India (Yes, IF C+D give +)
₹ Indian Rupee: Coins & Notes, CBDC					
Demonetized (विमुद्रीकृत) ₹500, ₹1000					
Dollar\$, Yuan, Yen, Euro etc					
G-Sec, T-Bill (what is this-Ans. explained in video)					
Shares, Bonds, DD, Cheque, ATM, Cards, Kirana coin, Casino coin, Filmstar-Notes					
Marshall Island: SOV Venezuela: Petro coin					
Bitcoins				##	

- ⇒ ##Bitcoin is not a Fiat money, yet it is legal tender in El-Salvador nation. But it is an exception. (बिट-कोइन का अल-साल्वाडोर देश में वेधनिक निविदा होना केवल एक अपवाद है, वो पूरी दुनिया के लिए नियम/व्याख्या नहीं है।)
- ⇒ Commemorative Coins = Fiat money yes but not legal tender unless notified by RBI/Government to be used as legal tenders. (स्मृतिचिन्ह रूप सिक्के- सामान्य भुगतान में इस्तेमाल नहि हो सकते, सिवाय के सरकार/आरबीआई उसकी अनुमति दे।)

🤔 FAQ: we can use cheque / credit card to pay fees. So, why are they not fiat money/legal tender?

Money is a unit of measurement for value.
Just like cm/km = unit of measurement of length

1 Tea Cup = ₹15

2 Tea Cups = ₹30

3 Tea Cups = ₹45

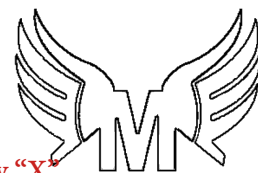
= Rupee is MONEY

1 Tea Cup=NOT 1 Cheque leaf

2 Tea Cups=NOT 2 Cheque leaves

3 Tea Cups=NOT 3 Cheque leaves

🚫 Cheque itself is not money, but 'tool/instrument' to use money



FAQ: I did not understand this thing and/or I want to engage in PhD/lawyer debate why "X" thing is legal tender? Ans. watch lecture's recorded video again at 1X speed, more peacefully.

10.6.7 Legal Tender (वैधानिक निविदा)- Limited and Unlimited

Table 3: Fiat Money: Two types of legal tenders

A) Limited legal tenders (सीमित वैधानिक निविदा)	B) Unlimited legal tenders: (असीमित वैधानिक निविदा)
	
Recipient can refuse accepting payment beyond a limit (एक हद से ज्यादा छूटते पेसे स्वीकारने से सामने वाला मना कर सकता है)	No such restriction.**
⇒ Coinage Act 2011 ⇒ Paper Note: Rs. 1 (एक रुपए की कागज़ी नोट) ⇒ Coins Rs. 1 / above → upto Rs.1000 ⇒ Coins 50 paisa x 20 coins → upto Rs.10 ⇒ Below 50 paisa coins are withdrawn (in 2011) So, 10 paisa, 25 paisa are not legal tenders. (10 पैसा और 25 पैसा वैधानिक निविदा नहीं है। 50 पैसा वैधानिक निविदा है)	⇒ RBI Act 1934 - Section 26: Every bank note is legal tender in India. ⇒ They can be used for settling any amount of debt in India**, lender can't refuse to accept it.

**Although in real life, Finance Act 2017: "Cash transactions for less than Rs.2 lakh only. Beyond that use Cheque, DD, NEFT etc. else penalty." This rule is to discourage tax-evasion / black money. For more Ref: Pillar#2. But for MCQs, simply accept that bank notes = unlimited legal tenders. (हालांकि वास्तविक जीवन में काले धन / करचोरी रोकने वास्ते नगदी लेनदेन पर कुछ सीमा के बाद रोक है, किन्तु MCQ के लिए जो पढ़ाया वो स्वीकारो)

FAQ# my shopkeeper doesn't accept 50 paisa. Then how it is legal tender? मेरा दुकानदार नहीं लेता 50 पैसा का सिक्का। तो आप कैसे कह सकते है वो वैधानिक निविदा है?

Ans. as per RBI notification, 50 paisa is legal tender. So, accept it for MCQ & move to next topic. Further, feel free to file police case against shopkeeper, if you have plenty of free time/outrage for it.

FAQ ₹1 one rupee paper note is limited legal tender or unlimited legal tender? Ans. Read above table carefully. it's given in it in the left column.

MCQ: Which correctly describes the meaning of legal tender money? (Pre-2018)

- (a) The money which is tendered in courts of law to defray the fee of legal cases
- (b) The money which a creditor is under compulsion to accept in settlement of his claims
- (c) The bank money in the form of cheques, drafts, bills of exchange, etc.
- (d) The metallic money in circulation in a country

MCQ: Consider the following statements (Asked in UPSC-CDS-2011-II)

1. In India the minimum denomination coin acceptable for transaction is 50 paise.



2. Coins below 50 paise is not a legal tender for payment.

Which of the statements given above is/are correct?

- (a) Only 1 (b) Only 2 (c) Both 1 and 2 (d) Neither 1 nor 2

10.6.8 🗣️📱 RBI's App to help the blind identify currency notes (नेत्रहीन/ दिव्य-चक्षुओं के लिए)

80 lakh people in India are blind. To help them identify currency notes:

⇒ Old series of Gandhi notes have square (50), triangle (100) shaped markings.

⇒ New series of Gandhi notes have bleed lines, raised printing of Gandhi etc.

⇒ But, so many varieties of notes, difficult for VH persons to remember size & shapes so,

2020-Jan: RBI launched 'Mobile Aided Note Identifier (=MANI)' App.

⇒ Mobile camera scan & identifies the note (Even if it's half folded), gives audio notification in Hindi/English, also works offline

⇒ But can't validate whether note is genuine or fake (Counterfeit जाली नोट नहीं पकड़ सकता यह ऐप),

⇒ If a user is both blind and deaf, the app will tell him by giving vibrations. (मोबाइल कंपन)

10.6.9 📄 Currency related General Knowledge:



Which note has what colour, which note has Red Fort / Sun Temple photo etc? General Knowledge

Less important for UPSC-exams, more IMP for Non-UPSC Exams. So I'm removing it from Raftaar-

Handout. You can learn such general knowledge from <https://paisaboltahai.rbi.org.in/>

New rupee symbol	₹: selected through a competition by Dept of Economic Affairs in 2010. Designed by D.Udaya Kumar, a Professor @IIT Guwahati. Controversy-2025: Tamil Nadu govt used Tamil letter 'ரூ' instead of '₹' symbol in its State Budget logo.
Nation Symbol	- Lion Emblem: Sarnath Pillar, Uttar Pradesh से लिया गया है - "Satyamev Jayate": slogan from Mundaka Upanishad से लिया गया है
Languages	While Constitution's 8 th Schedule has 22 languages, but currency note has only 17. (15 on Reverse + Hindi & English on frontside (obverse) = 17) 🗣️FAQ: Why it is like this? Ans. Either some Indian languages have similar fonts and/or send suggestion to RBI.
Museum	museum on numismatics and trade at Kolkata. (सिक्काशास्त्र और व्यापार का संग्रहालय)

10.6.10 📄 "I promise to pay the bearer...": Meaning of this promise?

	Colonia era: Promised to convert into full bodied gold or silver bars / coins worth the equal value in weight. E.g. 1 US Dollar = ~14 grams of gold. 1 British pound = ~73 grams of gold. (in my handout '~' means 'approximate')
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- ⇒ **Modern era:** Conversion into other Bank notes and “token coins” of equal face value. ₹ 2000 = 500 x 4 Nos. = 100 x 20 Nos etc.
- ⇒ Not inflation adjusted value. Not linked with weight of gold or silver.
- ⇒ Currency note is zero interest, anonymous bearer bond / Promissory Note.

10.6.11 Currency Note is not a promissory note?

Doubt: according to some website, currency note is not a promissory note under the negotiable instrument act. then what is write?

Doubt	as per academic books on economy?	as per the law (Negotiable Instruments Act)
Is currency note a promissory note?	Yes it has the features of promissory note.	No. It is not.

FAQ: Then what should I tick in MCQ? Ans. Depends on the context and options given in the MCQ.

10.7 DEMONETIZATION OF FIAT MONEY (विमुद्रीकरण: PREVIOUSLY 1946, 1978)

Definition? Demonetization means the REMOVAL of legal tender status of currency notes. (किसी मुद्रा की वैधानिक-निविदा के दर्जे/ कानूनन वैधता को रद्द करना- उसे विमुद्रीकरण या नोटबंदी कहते हैं)

- ⇒ 8/Nov/2016: Finance Ministry → Dept of Economic Affairs → notification to ban the “Specified Bank Notes” (SBN) of Mahatma Gandhi series ₹ 500 and 1000.
- ⇒ **Specified Bank Notes (Cessation of Liabilities) Act 2017** = It says: (1) RBI not required to honor “I promise to pay...” promise for 500-1000 ke banned notes. (2) It is illegal to keep banned notes (500,1000) except for research or numismatics-hobby or museum (with some terms-conditions).
- ⇒ SC Judgement on Demonetization ? Ans. REFER [pillar#2: taxation](#) → *black money*.

10.8 ₹2000 WITHDRAWN BUT CONTINUED AS LEGAL TENDER

2016-Nov: RBI introduced ₹2000 note, to meet the currency requirement of the economy in an faster manner after demonetisation of ₹500 and ₹1000 (नोटों की किल्लत पूरा करने के लिए इसको छापा जा रहा था)

- 2018–19: printing of ₹2000 banknotes was stopped.
- 2023-May-23rd: RBI ordered people to get it exchanged with other notes.

10.8.1 ₹2000 NOT DEMONETIZED but WITHDRAWN from circulation

- **2023-June: Reporter asked :** *Will the RBI withdraw the legal tender of ₹2000 note after September 30?* (इसका विमुद्रीकरण नहीं हुआ. बस चलन में इसे हटा दिया गया है)
- **RBI Governor replied:** “*There is no such idea.*” That means

Question	interpretation
is ₹2000 fiat money?	Yes
is ₹2000 legal tender?	Yes
is ₹2000 in withdrawn from circulation?	Yes
is ₹2000 DEMONETIZED?	NOT YET.^^

- ^^As of 2025-Jan: this is the status, as [per RBI official website](#)



10.8.2 ₹ 2000 withdrawn- WHY? (क्यों चलन से हटाया गया)

We will only prepare the official reasons given by the RBI.

- ✓ 2000 Notes were issued as a temporary measure to address shortage of currency. Now there is adequate supply of other currency notes e.g. 100/200/500.
- ✓ This note is not commonly used for transactions. (वैसे भी भुगतान में इसका उपयोग कम ही होता है)
- ✓ RBI's clean note policy: to ensure availability of good quality banknotes to the members of public.
- ✓ 2000 note's paper has a lifespan of 4–5 yrs. Since most of these notes were printed in 2016–2017. So by 2022–23 its paper quality may start to deteriorate. (चार पांच वर्षों में कागज वैसे भी खराब हो जाता है)
- ✓ THERE IS NO MENTION of fighting black money/ corruption / fake notes by ISI-Pakistan.

10.8.3 💰🤖 Money Types: Gresham law: good vs bad money | soft vs hard currency

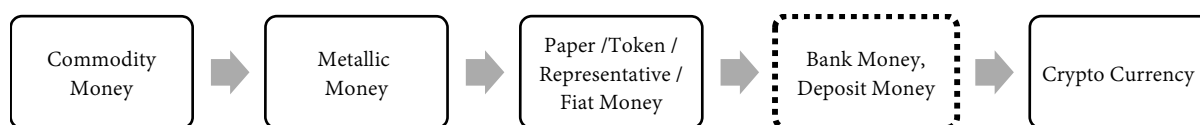
- ✓ Wait till we reach Pillar 3B: currency exchange. Presently, we're in Pillar 1A1.
- ✓ If unable to keep patience, watch https://youtu.be/x7rcf13JGh8?si=rkIwvohe38Gbw_FR

10.8.4 Zimbabwe's Gold Coin 'Mosi-oa-Tunya'

- ✓ Wait till we reach Pillar 3B: currency exchange. Presently, we're in Pillar 1A1.

10.8.5 🤖👛🏠 Redenomination: Iran's Toman Currency

⇒ **Removed for #RAFTAAR. Those who want to waste time/satisfy curiosity can learn it from old course (PCB6)** at <https://unacademy.com/course/mrunals-economy-course-for-upsc-prelims-mains-2022-52/I1OWWV6Y> (मेरे को अब ये परीक्षा के नजरिये से बहुत काम का नहीं लगता, इसलिए टॉपिक हटा दिया है)



10.9 🐷👛🏠 BANK MONEY / DEPOSIT MONEY



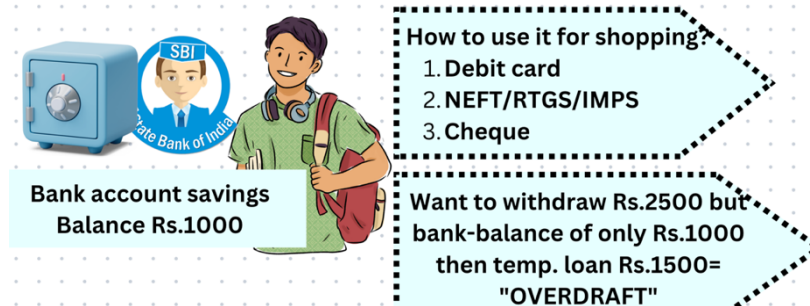
10.9.1 🐷👛🏠 Paper orders: Cheque, Demand Draft (DD)

Law	Viceroy Ripon's Negotiable Instruments Act, 1881: Primary Objective? Cheque dishonor & forgery (परक्राम्य लिखत अधिनियम: बैंक खाते में अप्राप्त रकम के चलते चेक अस्वीकार होना/जालसाजी के खिलाफ़ क़ानून).
Cheque	- 3 parties in a cheque: 1) Drawer (Sender), 2) Drawee (Bank), 3) Payee (Recipient) - Types of cheques: 1) Stale: Not deposited in 3 months of issuance (3 महीनों में नहीं डाला तो बासी/अस्वीकार्य होगा), 2) Post-dated: Deposit after a specific date, - Open / bearer cheque: No 'crossing'. Anyone can encash. Not linked with name of receiver. - 3) Ante-Dated: not imp for IAS exam.
IFSC	IFSC code: Indian Financial System Code- 11 alphanumeric numbers to identify the bank branch, just like PINCODE identifies an area. (कौन सी बैंक ब्रांच है उसे चिन्हित करता है)



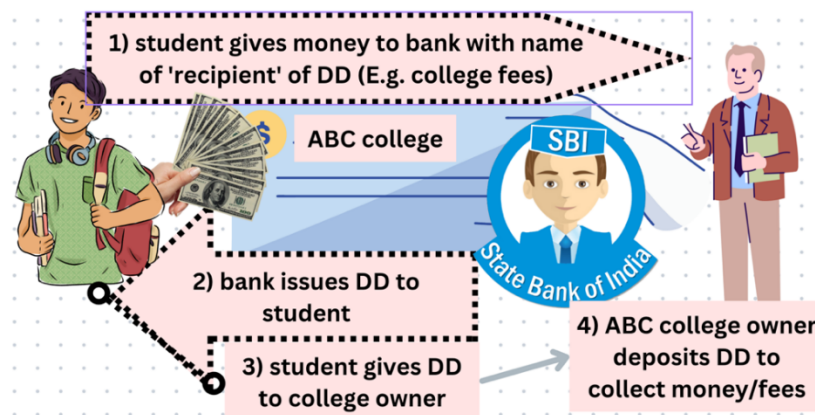
MICR	MICR code: Magnetic Ink Character Recognition. 9 digits code written in Iron Oxide ink for automated clearance. (चुम्बकीय स्याही से चेक के नम्बर को जाँचने के लिए।)
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10.9.2 Demand Draft and Overdraft



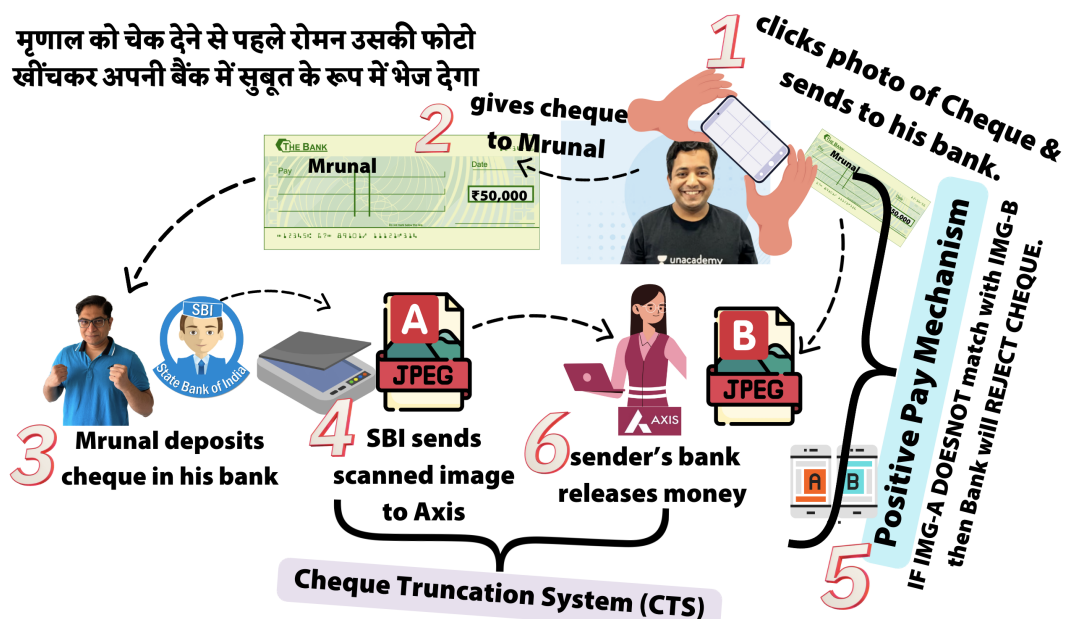
- **Overdraft:** When person has insufficient bank balance, still he may withdraw money from his account (as a loan). Such facility is called **Overdraft**. Pradhan Mantri Jan-Dhan account has **Overdraft** upto Rs 10,000/- with certain conditions. (More in Pillar1D: Financial Inclusion).

- o **Overdraft** is mainly for short-term operating expenses. (अस्थायी रूप से लघु अवधि के लिए कर्ज)
- o **Loans** is mainly for longer term higher value expenses. (दीर्घ अवधि के लिए मोटी रकम का कर्ज)



10.9.3 Cheque → NPCI's Cheque Truncation System (CTS) & Positive Pay Mechanism

मृणाल को चेक देने से पहले रोमन उसकी फोटो खींचकर अपनी बैंक में सुबूत के रूप में भेज देगा





NPCI's Mechanism	Benefit (first SEE THE DIAGRAM)
Cheque Truncation System (CTS)	If SBI sent the copy of cheque in post/courier = more time wasted. CTS IS FASTER because SBI sending scanned image online.
Positive Pay Mechanism	If Mrunal (recipient) manipulated the cheque numbers e.g. using magic-marker/eraser to write ₹5,00,000 in place of ₹50,000 YET Roman (Sender) will be protected because both images will not match → then cheque will be rejected by his bank.

⇒ 🧑‍🎓 FAQ: I still DID NOT understand this. Ans. Watch The video lecture again at 1x speed.

⇒ 🤔 FAQ: I've 500 counter arguments about how James Bond villain can misuse it? Ans. NOTIMP

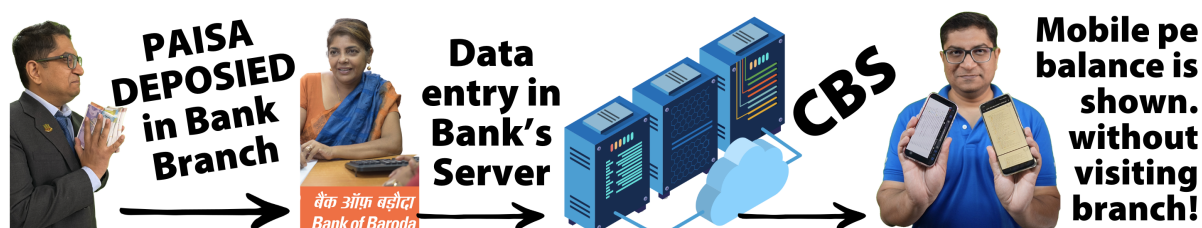
10.9.4 🐷📄 CTS - Faster settlement in just few hours (2024)

BEFORE	After 2024 reform
CTS clearance/settlement took upto 1–2 working days. Bcoz Bankers may not send 1–1 cheque's scanned copy to other bank. Banker would do it in bulk/batches.	Settlement within few hours.
called T+1 Settlement Cycle	called 'on-realisation-settlement'

10.10 🐷📄📡 ELECTRONIC ORDERS / DIGITAL PAYMENT

Payment & Settlement System Act 2007 empowers RBI to regulate card payment, e-payment related products and services. (भुगतान और निपटान प्रणाली अधिनियम 2007)

10.10.1 🐷📄📡 CBS (full form: Core Banking Solution /system)



⇒ It is a banking software with web-platform for centralized data management & branch-less banking. E.g. Finacle software; BanCS software; E-Kuber (used in RBI)

🚩🧑‍🎓 FAQ: What is the difference between Core Banking Solution (CBS) versus Core Banking System (CBS)? Ans. Fundamentally same thing. Dictionary word difference= notimp4exam.

📖? MCQ: The term 'Core Banking Solutions' correct term? (UPSC Prelims-2016)

1. It is a networking of a bank's branches which enables customers to operate their accounts regardless of where they open their accounts.
2. It is an effort to increase RBI's control over commercial banks through computerization.
3. It is a detailed procedure by which a bank with huge non-performing assets is taken over by another bank.

Answer Codes: (a) 1 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3



10.10.2 📡 online money transfer systems: NEFT vs RTGS vs IMPS

Table 4: Digital Payment Systems- transaction limits may differ, depending on banks

	RBI's centralised payment systems (CPS) [#]		NPCI's IMPS
🖥️ Type	RBI's RTGS: Real Time Gross Settlement	🕒 RBI's NEFT: National Electronic Funds Transfer	Immediate Payment Service
💰 Single transaction- how much allowed	Min ₹2 lakh to ₹2000 crores (SBI). Each banker may have different limits. It is enough to know RTGS for big amt	Min ₹1 to Max ₹25 lakhs (SBI). Each banker may have different limits. It is enough to know NEFT for small amts.	₹ 1 to maximum ₹5 lakhs
👤 Target customers	Bizmen wanting high value transactions instantly	Ordinary retail customers (आम जनता के छोटे भुगतानों के लिए है)	
🏦 Settlement mechanism	😊 Instant settlement (झटपट/ तुरंत निपटारा)	Settles net amount between banks at interval of 30 min.	😊 Instant settlement
💰 Fees	- Inward (recipient): 0 fee - Outward (sender): RBI allowed bankers to charge upto ₹50 fees ; but SBI etc bankers kept it for free.	- BEFORE: fees yes - After RBI Reforms: ₹0 fees.	fee + GST [#]
🕒 Timing	BEFORE: only weekday office hours. After RBI reforms = available 24/7.		24/7 on all days (दिन रात अविरल रूप से)
👤 Who can provide this facility?	- BEFORE-2021: Only Banks can provide this facility - 2021: RBI announces that non-bank entities can also become members of centralized payment systems (CPS = NEFT & RTGS). - So, in future, Amazonpay, PhonePe etc could also directly allow this		Banks + mobile-payment apps like Phonepe, Mobikwik etc.

⇒ # Although some banks don't charge IMPS fees for transactions upto ₹ "X"/- (EXACT Fig NOTIMP)

⇒ **##FAQ:** 🧐 Why doesn't RBI Merge RTGS & NEFT? Ans. RBI may have some technical operational reasons for it. if u feel morally-outraged then send suggestion to RBI Governor. Until implemented, memorize the facts as given in handout.

AB CD MCQ. Find correct about RTGS and NEFT: (Pre'25)

- I. In RTGS, the settlement time is instantaneous while in case of NEFT, it takes some time.
- II. In RTGS, the customer is charged for inward transactions while that is not the case for NEFT.
- III. Operating hours for RTGS are restricted on certain days while this is not true for NEFT.

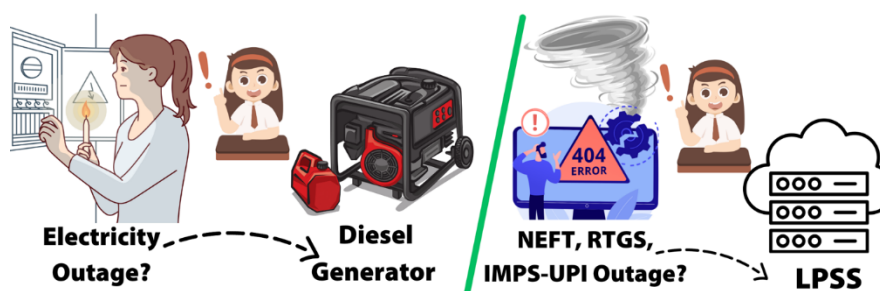


Codes: (a) I only (b) I and II (c) I and III (d) III only

Note: RBI had reformed fees on NEFT/RTGS from **2019**. And since then I have been teaching it every year. UPSC finally asked in **2025** Prelims 6-7 after the event. So **yes, handout is lengthy**, because otherwise you will not be able to solve such MCQs.

10.10.3 📶 LPSS- lightweight payment and settlement system

- RBI's (emergency/backup) alternative to NEFT, RTGS and IMPS/UPI.
- To provide a temporary & portable solution during natural disasters and war. (प्राकृतिक आपदा या युद्ध के चलते बाकी प्रणालियाँ बंद हो जाए तो अस्थायी रूप से इसको इस्तेमाल कर सकते)
- Can be operated from anywhere by a bare minimum staff.
- How it works, what are the features? NOTIMP.



10.10.4 🧑 RBI: beneficiary account name look-up facility for NEFT / RTGS (2024)

Fraud prevention

mistype fixing

user confidence

Pay Again

Gajendrasinh I Zala

+91 9898

Can u look up name of the beneficiary b4 sending ₹₹	Before	After 2024-Oct Reform
UPI	Yes	Yes
IMPS	Yes	Yes
NEFT & RTGS	No	Yes**

- **When the remitter (sender) enters the beneficiary's bank account number and IFSC code → beneficiary's name will be displayed to the sender. (नंबर टाइप करके नाम चेक कर सकते हो।)
- 🤖 Benefit?: minimizes errors & frauds in money transfers.

10.10.5 📶 RBI's Next Generation Treasury Application (NGTA), 2020-Oct

Deleting from handout. Because yet to be implemented. This topic didn't develop much after 2020.

10.10.6 📶 RBI's Next-Gen RTGS to comply with ISO-XML standards

such faaltu technical things not imp. don't waste time. plz observe PYQs given in HDT.

🏠 **Mrunal comments before next section:** In the digital wallet apps → companies introduce new features & RBI introduces new technical norms on daily basis. We are not here to write a MBA research paper on their business-model & RBI regulations. Q. "sir u said x thing can't be done in Paytm App but now it can be done...as per



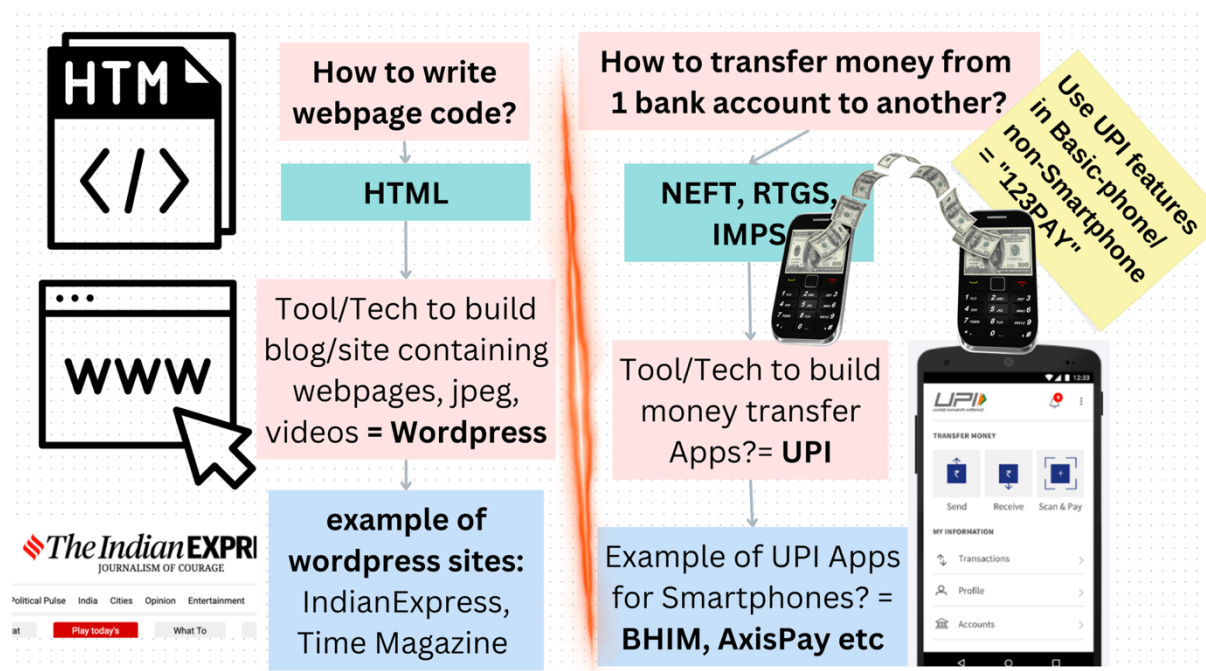
my experience!! Ans. I've given simple illustration to explain thing. They keep adding new features in the App. UPSC asking only general broad MCQs from this. #थोड़ा-पढ़ो-आगे-बढ़ो

10.11 🧑🏻 NATIONAL PAYMENT CORPORATION OF INDIA(NPCI)

- ⇒ 2008: NPCi is registered under Company Act as a “Not for Profit Company”. (मुनाफा रहित कंपनी)
- ⇒ Originally it was founded by 10 banks with ₹ 100cr capital. Later on in 2020: Paytm, PhonePe, Amazon Pay etc also became shareholders of NPCi (ये सब शेयर धारकों ने पूंजी डालकर इस कंपनी को बनाया है)
- ⇒ Objective? cost-effective payment solutions / technology for Banks. (रियायती लागत पर बैंकिंग टेक्नोलॉजी)
- ⇒ Its UPI-BHIM app & other mechanisms also help in financial inclusion of villagers & poors by expanding the reach of banking network. (गरीबों / गाँववालों के वित्तीय समोवेशन में मदद के लिए अलग अलग तकनीकी आविष्कार किए हैं) ✅ More abt financial inclusion in 📄Pillar# 1D.

AB CD MCQ-EPFO-2023: Consider the following statements:

- Statement I: In India, the RTGS and NEFT payment systems are owned and operated by National Payment Corporation of India (NPCI).
 - Statement II: National Payment Corporation of India is an entity promoted (=owned) by banks.
- (a) Both right, st2 explains st1 (b) Both right, but st2 doesn't explain st1
(c) St1 is correct but St2 is wrong. (d) st1 is wrong but st2 is right.



Above is not 100% technically correct explanation, but it is just to help you visualise the concept.

10.12 🧑🏻 NPCI → UPI (UNIFIED PAYMENT INTERFACE)

It is a technology for building digital payment apps based on IMPS with following features:

- ⇒ QR Scan & Pay to merchants.
- ⇒ You can link bank account for direct transfer of money without storing money in ‘wallet’ first. (unlike AmazonPay / Mobikwick etc)



- ⇒ Such app can have Push transaction (e.g. Remittance to family), Pull Transaction (e.g. monthly bill deduction by Electricity Co.) or even Bill sharing among friends.
- ⇒ **Examples of UPI based app:** SBI's SBIBuddy/Yono, Axis Bank's AxisPay and NPCI's BHIM.
- ⇒ **UPI 2.0 (2018):** Upgraded version of UPI. What are its new features? How is it different than UPI 1.0? Ans. NOTIMP #RAFTAAR 🚗🚚
- ⇒ NPCI has been signing agreements with organisations in Bhutan, Nepal, Singapore, etc. so that directly Indian tourists in those foreign countries can directly spend the money from their Indian bank account by using UPI-Based Apps.

10.12.1 🙌 UPI: Push vs Pull Transactions

UPI based apps allow for both 🙌 Push transactions and 🙌 Pull transactions.

🙌 Push transactions	🙌 Pull transaction
🙌 Push = when u send money by your own discretion e.g. sending money to a relative/friend based on your mood. (आपकी मर्जी या विवेक से आप खुद जो पैसा भेजते हैं।)	🙌 Pull transaction = when you have given command that every month electricity company should cut the money from my bank account → company will pull money without requiring u to push/click buttons every month.

🚩👤 FAQ: Beyond that, whether "X" thing is push/pull? = Ans. NOTIMP #RAFTAAR 🚗🚚

10.12.2 👤 UPI Delegated Payments to create secondary accounts (2024-Aug)

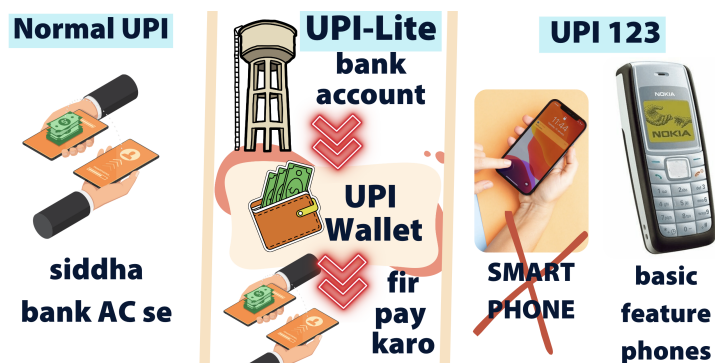
e.g. Father (primary account-UPI) creates a secondary account-UPI daughter. Then she can use money from father's bank account upto Rs.X limit using her mobile.

10.12.3 🛍️ Transaction limits- Normal-UPI:

Max amount	Category of daily transaction
₹1 lakh/day	Normal transactions.
₹2 lakhs/day	Capital Markets (e.g. Mutual Funds) Credit card payments, Loan re-payments/EMI, Insurance premium/fees payment etc.
₹5 lakh/day	⇒ Purchase of G-Sec under Retail Direct Scheme, IPO Subscriptions. What is the meaning of the term? (Ref: Pillar#1C) . Medical and educational fees. ⇒ Tax Payment to Govt (2024-Aug onwards)

10.12.4 🛍️ Transaction limits- UPI123, UPI Lite:

UPI Service	Before	2024-Oct Reform
UPI Lite (per transaction)	Rs 500	Rs 1,000
UPI Lite (total wallet capacity)	Rs 2,000	Rs 5,000
UPI 123Pay for non-smart phones (=Basic feature phones)	Rs 5,000	Rs 10,000
Normal-UPI person to person (P2P)	₹1 lakh	₹1 lakh
Normal-UPI person to merchant (P2M)	whatever	Upto ₹5L depending on case



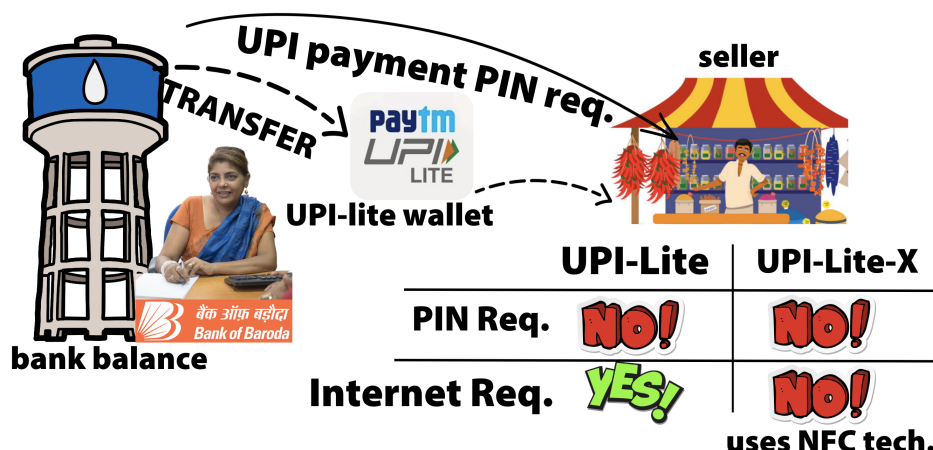
10.12.5 🛍️ UPI-Lite (on-device wallet)

User adds money from his bank account to his UPI Lite wallet on his mobile App. (e.g. Google Pay App, BHIM App)

😊 Benefits of UPI-Lite wallet?

- 😊 Faster. Because No need to provide UPI-PIN number during transaction.
- 😊 Less chances of transaction failure- even if sender's bank server is facing technical issues.

10.12.6 UPI Lite vs UPI Lite-X (offline payment)



UPI Lite	UPI Lite X
Even if sender's bank server down it works / if Payment App unable to connect with Core Banking Solution (CBS) of bank immediately.	same.
However the App needs internet connectivity.	doesn't need internet. Works offline using Near Field Communication (NFC) technology. But, User has to come online e.g. in the internet connectivity within 4 days of performing an offline transaction- for data synchronisation.

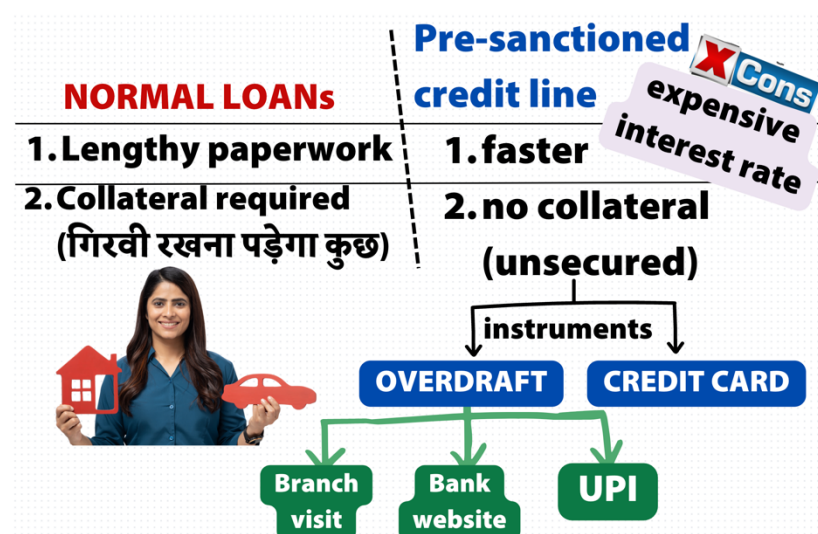
10.12.7 🛍️💬 Conversational payments in UPI

- It will help users to chat/converse with AI-powered systems to make payments. e.g. similar to how Smart speakers function: 'Hey Siri/Alexa/Google remind me to buy milk on X date.'



- 🧐 **Benefit?** Voice command make it more convenient for **blind** persons to use UPI.

10.13 🗂️ PRE-SANCTIONED CREDIT LINE



When a banker allows an account holder to borrow upto a predetermined amount of money, without having to apply for a loan, it is called Pre-Sanctioned Credit Line. (इसका हिंदी करने का मतलब नहीं है, मुख्य परीक्षा में इस प्रकार की चीजें नहीं पूछते)

10.13.1 🗂️ UPI: Pre-sanctioned credit line/Overdraft in UPI (2023-Apr)

- RBI allowed Pre-Sanctioned Credit Line / overdraft facility extended to UPI.
- So, even if a person does not have balance in his bank account, still he can PAY using UPI while shopping. (and then later, when he gets the salary/pension/income deposited in his bank account, then the banker will recover the principal and interest.)

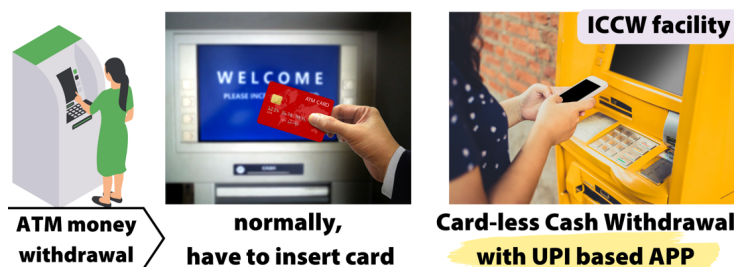


10.13.2 🗂️ UPI: Benefits of UPI-overdraft facility= BNPL

- Help customers in “Buy now pay later (BNPL)” format of shopping. (Ref: Pillar#1B1 for more)
- Poor people require small small amount of money/loans during last weeks of a month. They cannot travel to the city's bank branch for the paperwork and banker may take many days to pass application. Consequently, poor villagers borrow from the local moneylender/Shroff/Baniya at high interest rate. UPI-Overdraft can help overcoming this to some extent. = helps in Financial inclusion of the poor. (गरीबों के वित्तीय समावेशन में मदद)



10.13.3 🛒 UPI: Interoperable Card-less Cash Withdrawal (ICCW)



- Benefit? If physical card not inserted in ATM machine → ↓ dangers of card cloning, etc scams.

10.13.4 🌐 ATM UPI: facility for depositing /withdrawing money

Over the years, following facilities/technology has been developed by NPCi



- scan QR code → transfer money from bank account via UPI → to get coins from machine
- deposit cash in Cash Deposit Machines (CDMs) by logging into your bank account via UPI (no need to insert debit card in the machine)
- withdraw cash from ATM machine by logging into your bank account via UPI (no need to insert debit card in the machine)

10.13.5 🧑🏫 NPCI → UPI → BHIM Full form: Bharat Interface for Money (2016)

- ⇒ Money transfer app designed by NPCi. It works on Android, iOS/Apple mobiles as an APP,
- ⇒ Works even on non-smart (=basic feature) phones using *99# USSD- Unstructured Supplementary Service Data.
- ⇒ Bank to bank / peer to peer transaction using mobile phone (xyz@upi). No need to install multiple apps for each bank account (SBIBuddy, AxisPay etc) just one BHIM app to use all such bank accounts.
- ⇒ (1) App has 3 factor authentication system- [as per Indianexpress](#) (2) App has 2 factor authentication system [as per NPCi website](#). (👉👤 FAQ: then which fact is true? Ans. i'd go for official website.)
- ⇒ Your money stays in bank account and earns interest. It's not stored in 'wallet outside your bank account' as it happens in Mobikwick, Phonepe etc. (PS: in later stage, PhonePe etc private apps also included UPI type mechanism so storing money in 'wallet' became optional but we need not engage in Hairsplittery/PHD.)
- ⇒ No cards involved so no MDR or such hidden charges.

📖 ? MCQ. Find Correct Statement(s) [Prelims-2018]

1. BHIM app allows the user to transfer money to anyone with a UPI-enabled bank account.
2. While a chip-pin debit card has four factors of authentication, BHIM app has only two factors of authentication.



Answer codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

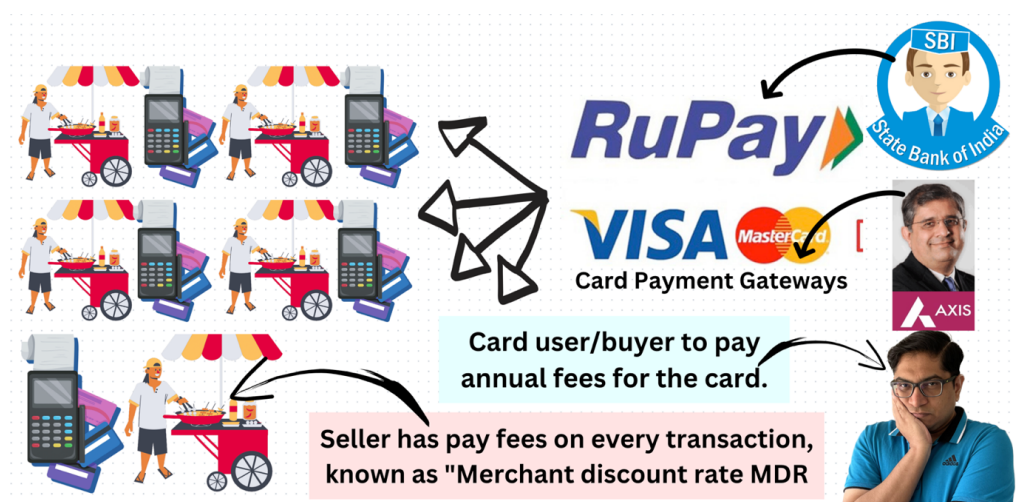
10.13.6 📱💰 BHIM 3.0 (2025) with new features

- Now available in more than 15 Indian languages for better accessibility.
- Optimized to work in slow internet; Add family / friends in the group to split bills.
- Tools for tracking expenses/budget/ monthly financial planning.
- Built-in reminder tool for monthly bills; UPI-lite wallet gets better user experience.

10.13.7 📱💰 BHIM VEGA merchant tool, pay without switching to 3rd party App

BEFORE	AFTER
You placed a food order on the Swiggy app → Go to the third party app e.g. PayTM app for payment.	If merchant enabled BHIM Vega facility then customer can directly pay from the merchant's app without having to switch to a 3rd party app.

10.13.8 🧑🏻💳 NPCI → RuPay Card Payment Gateway (2012)



- ⇒ Rupee + Payment = RuPay card is world's 7th payment gateway similar to Mastercard, Visa card, China's Union Pay. RuPay charges less fees than other companies.
- ⇒ Works in 3 channels: 1) ATM, 2) Point of Sale Device (PoS/card reader machine), 3) Online portals.
- ⇒ RuPay debit card given free with PMJDY (Jan Dhan) Bank account (Refer Pill#1D).
- ⇒ RuPay has signed collaboration agreements with some digital payments companies in Singapore, Japan etc. So, it may be used in those countries. But presently RuPay is not having the widest reach across all the countries unlike MasterCard and Visa.

AB CD ? MCQ. Find Correct Statement(s) [Prelims-2017]

1. NPCI helps in promoting the financial inclusion in the country.
2. NPCI has launched RuPay, a card payment scheme.

Answer codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

10.13.9 🧑🏻 NPCI other notable initiatives

Table 5: NPCi has built following mechanisms / platforms / systems / apps:

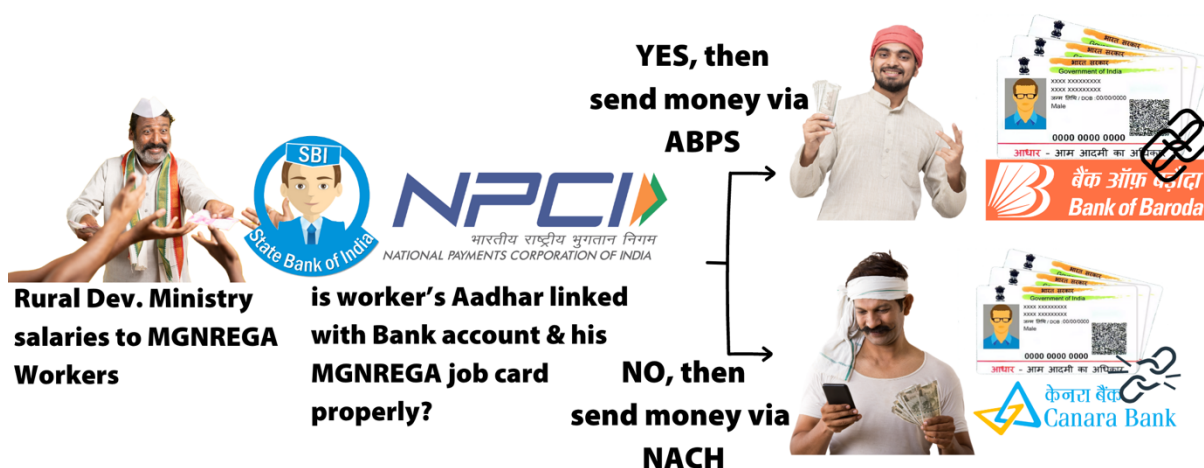
BBPS & UPMS	- Bharat Bill Payment system for monthly payments of utility bills (gas, electricity etc.) - 2022-Jan: NPCi 's daughter/subsidiary company Bharat BillPay Ltd.
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	Company → launched a Unified Presentment Management System (UPMS) → but technical stuff. NOTIMP4 exam 🤔FAQ: How is BBPS vs UPMS similar or different? Ans. NOT IMP 4 Exam. These are one-liner GK. Not PHD thesis topics!
NFS	National Financial switch. This technology runs the ATM network
CTS	Cheque Truncation System learned in previous section.
NETC	⇒ National Electronic Toll Collection provides technology support to the FASTag toll collection. (राजमार्ग पर पथकर वसूलने के लिए)
PAI chatbot	Artificial Intelligence (AI) based chatbot to reply to people's online queries about NPCI's products like FASTag, RuPay, UPI, AePS etc.
DigiSaathi Helpline Number (14431)	RBI launched with help of NPCI. - for digital payment & card payments problems. The No. is 1800 891 3333 (not imp4exam but personal use)
DakPay (2020)	Payment App by Department of Post and its India Post Payments Bank
BharatQR(2016)	Given in next section of this handout. Scroll down
E-Rupi (2021)	Given in next section of this handout. Scroll down

10.13.10 🧑 NACH-ABPS : Hybrid / Mixed mode in MGNREGA

Both these technologies developed by NPCI.

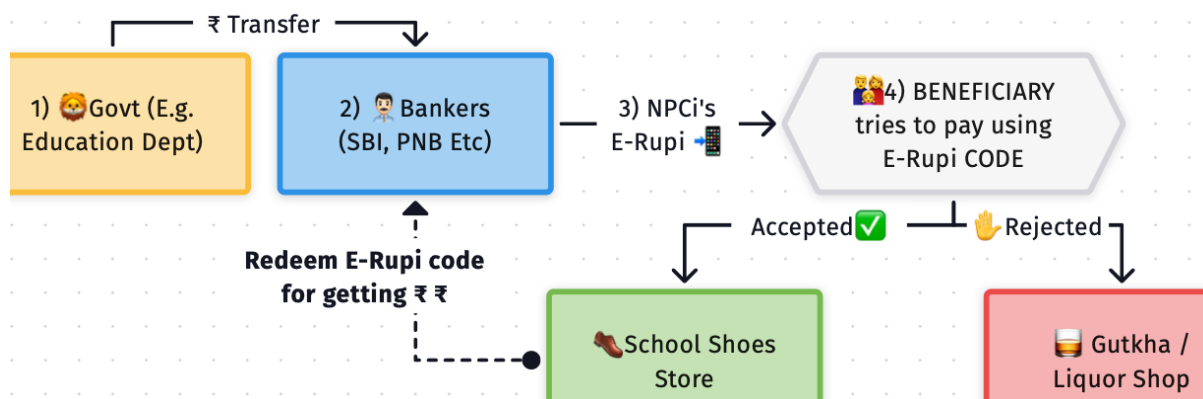


- Mahatma Gandhi National Rural Employment Guarantee Act, 2005: Rural development Ministry provides 100 days work to villagers. (Ref: Pillar#6 for more)
- Presently both NACH and ABPS methods used for giving salaries to MGNREGA workers. Thus, it's called **Mixed payment mode/hybrid mode** for MGNREGA wages.
- Government wants to shift completely to ABPS method. But due to operational and technical issues, deadline keeps getting delayed.
- Some poor people (without Aadhar card) given exemption from ABPS.
- Opposition party alleged that government is "**weaponizing the technology**" to deny money to poor people without Aadhar card.



10.14 📱💰 DIRECT BENEFIT TRANSFER (DBT) → E-RUPI BY NPCI (2021)

- (Origin) E-rupi is an SMS /QR Code based Prepaid Cashless Electronic Voucher created by National Payment Corporation of India (NPCI) using its UPI Platform.
- It is also supported by finance ministry's Department of Financial Services and Health ministry's National Health Authority (NHA)



10.14.1 e-RUPI vouchers: scope expanded (2023)

	Before	After 2023
Who can Buy E-Rupi codes/vouchers?	1) Govt & 2) Pvt Companies	1) Government, 2) Pvt Companies AND 2) now Individual persons can also buy it (e.g. for gifting to their maid/driver etc.)
Who can SELL E-Rupi codes/vouchers?	only Banks can sell	1) Banks AND 2) Non-bank Prepaid Payment Instrument (PPI) e.g. AmazonPay, Mobikwick etc.
Max e-rupi code-value	₹10,000	₹1 lakh

FAQ: I still didn't understand this! Watch this Youtube Short-

https://youtube.com/shorts/1qoqwvDgbLA?si=VO_aJiHdzisJVCVL

10.14.2 📱💰👤 Interoperability Problem (इंटरऑपरेबिलिटी)



FAQ: What are those technical Rules to improve interoperability? NOTIMP #RAFTAAR.

10.15 📱💰 QR CODES: COMPULSORY TO IMPLEMENT UPI/BHARAT QR FROM 2022

- 1990s: 2 dimensional (2D) Quick Response (QR) Code system developed in Japan.



- Indian E-payment systems function on 3 types of QR Codes, namely,

Table 6: 🦋 Difference between UPI QR vs Bharat QR? NOT.IMP.4.EXAM 📅 थोड़ा-पढ़ो-आगे-बढ़ो

Proprietary QR code 	⇒ e.g. Paytm or PhonePe ke exclusive QR codes. ⇒ 🤔 Problem? Other companies' app may not be able to scan and pay it. ⇒ So, RBI has prohibited companies from launching any new proprietary QR code.
UPI QR code	Generated by UPI app of NPCi. 😊 It can be scanned by all Apps which are developed using UPI technology.
Bharat QR code	Developed by NPCi with help of Visa and Mastercard. 😊 It can be scanned by all Apps which are developed using UPI technology.]

⇒ RBI has ordered Paytm, PhonePe, MobiKwik, Google Pay ecto shift to UPI QR or Bharat QR

⇒ 😊 Benefit? All Payment apps will be able to scan these QR codes → 'interoperability'.

10.15.1 🦋 rMQR (Rectangular Micro QR Code)

QR Code



rMQR Code



⇒ 1990s: JAPANESE ENGINEER Masahiro Hara, designed the square QR code

⇒ Now he's working on rMQR (rectangular QR code). rMQR can be printed in narrow spaces

10.15.2 💳 Card Types based on Security Features: (सुरक्षा प्रणाली के हिसाब से कार्ड के प्रकार)



HomeWork: Read about RFID & NFC from Sci-Tech book/internet.



10.16 CREDIT & DEBIT CARDS (ALSO CALLED 'PLASTIC MONEY')

Table 7: Card Types based on Payment modality

1) Credit Card (कर्ज पे शॉपिंग)	2) Debit Card (अपने बैंक बचत का पैसा इस्तेमाल करो)
If Credit card used for withdrawing money from ATM, then it's a type of 'borrowing', so, bank levies interest rate.	Debit card can be used to withdraw ₹ ₹ from ATM from your existing bank balance. So, it's not 'borrowing'.
Credit card vs Overdraft? - Credit cards = for shopping. You carry card in your pocket. Bank may give u some reward-points/gifts if you spend "₹.X" per year - for overdraft= you have to manually visit the bank branch, fillup form. It's not in the form of a 'card'. Doesn't give u points/gifts. 👉 Further difference not.imp.not.here.for.IBPS-exam	Debit card vs Overdraft? You should be intelligent enough to self-understand that much. शिक्षक हर चीज की स्पून फीडिंग करेगा/चम्मच से खिलाएँ वह विद्यार्थी के मानसिक विकास के लिए अच्छी बात नहीं

⇒ 3) **Hybrid Card / Duo Card:** Single card with two chips for 1) credit card and 2) debit card. So, you don't have to carry two separate cards. E.g. Indusbank Hybrid card. एक ही कार्ड में दोनों का मजा 🤗

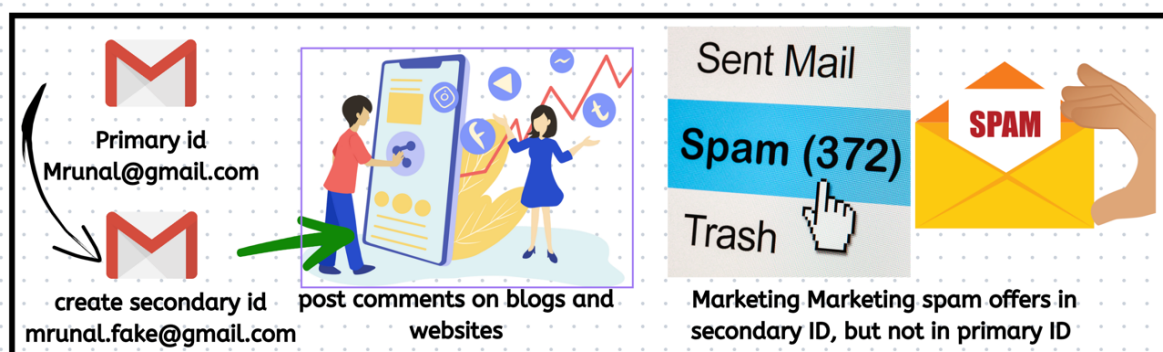
⇒ 4) **Pre-paid card:** It's a subtype of debit card. Debit card is linked to a given bank account. But Pre-paid card can be bought even without having account in the given bank e.g. IRCTC's UBI Prepaid Card can be used for buying rail tickets, meals etc. support provided by Union Bank of India (UBI) and NPCi's Rupay gateway. (इस कार्ड को पैसा देके खरीदना पड़ता है। बैंक खाता होना जरूरी नहीं)

Credit Card: Do the shopping first. then pay to Bank after 30-45 days*. if late payment = interest charged.
एक तरह से कर्ज पर खरीदने की सेवा

Debit Card: do the shopping using money SAVED in your bank account.
अपने बचत खाते का पैसा इस्तेमाल करने वाला कार्ड



10.16.1 Card Tokenization (from 1/Oct/2022)



⇒ Tokenisation = creates a set of numbers called 'token' to replace/hide the sensitive card data such as the 16-digit account number, expiry date and security code. (हैकिंग से बचने वास्ते असली कार्ड नंबर की जगह टोकन/काल्पनिक-नंबर बनाकर दे दो ऐसी बात है। ताकि विक्रेता का आपके कार्ड की गुप्त जानकारी मिले नहीं)



⇒ This ensures your card information is not disclosed to merchant website= protection from hacking. Card owner can generate Tokenization through visiting card-issuer's/banker's website/App through laptops, desktops, tablet, wearables (smartwatch) etc.

⇒ From 1/10/2022, this became effective.



Figure 1: थप्पड़ से डर नहीं लगता, Identity theft se lagtaa hai!

10.16.2 Auto-Debit/E-mandates and Additional Factor of Authentication (AFA)



Outdated/technical- deleting from HDT. Vague idea given in above image.

10.16.3 Credit Card Network portability order by RBI (2024)

Summarized in the graphics/meme. If not understood, watch lecture video.



10.16.4 CVC Less transactions

⇒ Normally, during online-transaction, customer has to enter Cardholder Verification Code (CVC) EVERYTIME when making payment.

⇒ but after the RBI's new norms, this may not be required every time.

10.17 CARD/TECH FOR TRANSPORT / TRAVEL

10.17.1 National Common Mobility Card (NCMC, 2019)



- 'One Nation One Card Model' by Ministry of Housing & Urban Affairs (MoHUA) with the help of NPCi, Bharat Electronics Limited (BEL Company), and some banks. It helps developing special cards to pay tickets → Train station/train gate can open automatically, upon tapping the card, like in hollywood movies.

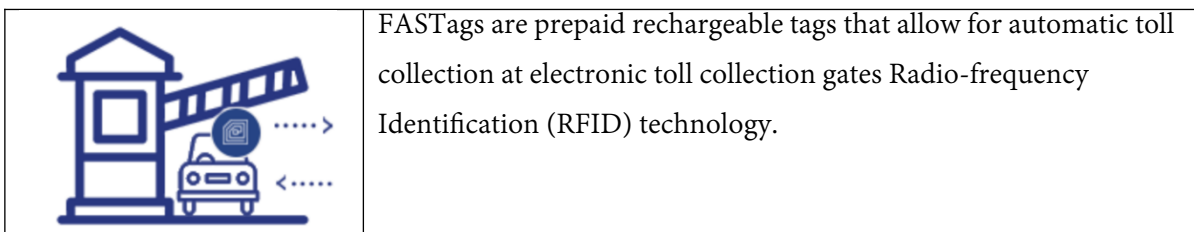
It has 3 components: (तीन घटक है इसके)

- 1) NCMC Card: To be issued by banks. Nature can be Debit/Credit/Prepaid. Can be used for metro, bus, suburban railways, toll, parking, retail shopping etc.
- 2) SWEETKAR: Automatic Fare Collection System. (यात्री किराया वसूलने की स्वचालित प्रणाली)
- 3) SWAGAT: Swachalit / Automated Gate at railway/bus station.

10.17.2 SBI's Nation First Transit Card (2023)

Enough to know it can be used for paying toll fees, parking fees and doing shopping.

10.17.3 FASTag/NETC for paying toll fees at highways (2017)



⇒ 2017: National Highways Authority of India (NHAI, a statutory body under Highway ministry) launched 2 mobile apps MyFASTag and FASTag Partner to facilitate Electronic Toll Collection (इलेक्ट्रॉनिक माध्यम से पथकर/टोल वसूली के लिए राष्ट्रीय राजमार्ग प्राधिकरण द्वारा अलग अलग एप बनवाए गए हैं).

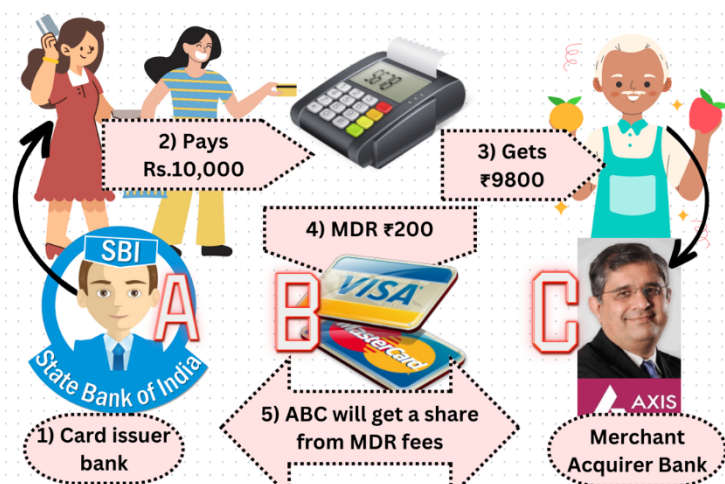
⇒ NPCi's has developed National Electronic Toll Collection (NETC) technology to aid this.

⇒ Benefit? faster traffic movement, tracking stolen cars.



- ⇒ From 2021, it became mandatory for all vehicles passing through tolls to have FASTags.
- ⇒ 2024-25: govt wanted to Fastag with satellite based toll collection but later postponed the plan.
(Ref: Pillar#5 infra)
- ⇒ 2025: Annual pass available at ₹ 3,000. It will allow commuters to travel toll-free for 200 trips or one year, whichever comes first. (not imp for 4 UPSC but for non-IAS exams)

10.18 🇮🇳 MDR: FULL FORM: MERCHANT DISCOUNT RATE (व्यापारिक छूट दर)



In above photo, MDR fees % is not actual number but for illustration/example.

- ⇒ MDR is the fees that a merchant must pay to his (acquirer) bank for every card transaction.
- ⇒ MDR fees is **shared** among 3 parties 1) customer's card issuing bank 2) merchant's acquiring bank 3) payment gateway provider. (तीन पक्षों में इस फीस को बांटा जाता है)
- ⇒ MDR hurts merchants' profit margin, discourages them from adopting Point of Sale (PoS) terminals (=card swiping machine) → obstacle to digital economy. (व्यापारी के मुनाफे पर असर होता है इसलिए वह कार्ड मशीन अपनाने में उदासीनता दिखाते हैं।)

Table 8: Steps taken to address MDR issue

RBI	⇒ 2017: Imposed ceilings on MDR fees i.e. MDR can't be more than "x%" of the transaction amount. (रिज़र्व बैंक द्वारा तय सीमा से ज्यादा फीस नहीं मांग सकते)
-----	---

10.18.1 🇮🇳 MDR Subsidy by MEITY

Instrument	UPI	NPCI's Rupay Debit Card	NPCI's Rupay Credit Card Mastercard/Visa's Debit/Debit card etc
MDR % on transaction value	0%	0%	"x" % (NOT ZERO)

- ⇒ 😞 So, if a banker promotes Rupay debit card / UPI App → Banker will not earn MDR fees. So bankers promote MasterCard & Visacard to their customers and merchants (instead of Rupay/UPI). (बैंकर को मज़ा नहीं आता क्योंकि उसे डेबिट कार्ड व यूपीआई एप में MDR की फीस नहीं मिलेगी।)

10.18.2 🇮🇳 UPI incentive by Govt

- Boss? : 2021 onwards- The Ministry of Electronics and Information Technology (MeiTY)
- Boss? 2025 onwards: FinMin → Department of Financial Services

Merchant	UPI transaction	MDR	Bonus by Govt to merchant
Small Merchant	Up to ₹2,000	0%	0.15% of value to merchant



Small Merchant	Above ₹2,000	0%	None
Large Merchant	Any Amount	0%	None

Newspapers run daily rumors on how there will be some fees on UPI transactions. But above is the situation as of 2025-March.



10.18.3 🧑‍🎓 FAQ: Does Rupay cards have MDR charge or not?

Read the terms given in handout carefully.

Rupay credit cards= Yes MDR | meanwhile, Rupay DEBIT cards= ZERO MDR.

🚩🧑‍🎓 FAQ: "I've 500 jaat ke PHD doubts & counter arguments about this MDR subsidy" Ans.

Sure. Plz waste your precious time reading egazette.nic.in/WriteReadData/2021/231960.pdf

AB CD ? MCQ. What is "Merchant Discount Rate" ? (Pre18 Set-D)

- The incentive given by a bank to a merchant for accepting payments through debit cards pertaining to that bank.
- The amount paid back by banks to their customers when they use debit cards for financial transactions for purchasing goods or services.
- The charge to a merchant by a bank for accepting payments from his customers through the bank's cards.
- The incentive given by the Government, to merchants for promoting digital payments by their customers through Point of Sale (PoS) machines and debit cards.

10.18.4 Interchange fee by NPCi on sellers for prepaid wallets(2023-March)

Technical. Deleting.

10.18.5 🏧 ATM and its Types



⇒ Automated Teller Machine (ATM) allow bank customer to withdraw money or check balance without visiting any branch of a bank. (स्वचालित रूप से नकदी मुद्रा देने वाला यांत्रिक डिब्बा)

⇒ ATM network works on NPCi's NFS (National Financial Switch) technology.

Bank label	Bank itself owns and operates the ATM network.
Brown label	Bank owns but operations outsourced (cash refilling truck, guard)



	⇒ Note: Some books offer different definition, but I've taken above definition from <i>Economic Times Article 2015</i> . (कुछ किताबों में व्याख्या अलग है मैंने इधर से ली है)
White label	- Non-Bank owns & operates. E.g. Muthoot Finance, Tata Comm, Prism - 🚩👤 FAQ: What is on-tap licensing system for White-label ATM? Ans. Outdated topic for 2024-25.
Micro-ATM	Bankmitra manually makes entries of deposit and withdrawal for customer. He uses handheld device for using (debit or ATM) card & Aadhar biometrics (fingerprint). NPCi's AEPS technology gives technological support for this.

10.19 🛒📶📈 MEASURES TO PROMOTE CASHLESS ECONOMY

- 2019: RBI setup **Nandan Nilekani committee**.
- Budget imposed limits and restrictions on cash transactions (more in Pillar2:Black Money)
- + many small small things for Mains Exam. It's given in Mains Handout. This is Prelims HDT.

10.19.1 🧑🏻👤🏠💳💰 Payments Infrastructure Development Fund (PIDF) by RBI



⇒ ₹250cr from RBI + ₹250 cr from (Banks and Card Gateway Operators) → ₹500 cr fund setup.

⇒ **Objective?** Provide funding/ subsidy to encourage merchants in the small towns, villages and North Eastern states to adopt point-of-sale (PoS) card swiping machines. (भुगतान इंफ्रास्ट्रक्चर के लिए निधि/कोष: गांव, छोटे शहरों और उत्तर-पूर्वी इलाकों में व्यापारियों को कार्ड मशीन अपनाने के लिए मदद)

⇒ 2021: RBI launched it. Presently scheme/fund valid upto Dec, 2025.

Scheme	description
PM SVANidhi	Govt helps the street vendor to get Biz loan. (Ref: Pillar#1D for more)
PM Vishwakarma	Govt helps artisans e.g. carpenter, potter, blacksmith, et cetera. In skill training Bank loans. (Ref: Pillar#1D for more)

RBI said we'll give PIDF-subsidy to above beneficiaries to adopt card machines.

10.20 🌐💰 GLOBAL MONEY TRANSFER

10.20.1 UPI facility to foreign tourists coming to India (2023)

विदेशी व्यक्ति भारत में बैंक खाता खोलकर यूपीआई वाली मोबाइल ऐप द्वारा भारत में खरीदारी कर सके ऐसे रिजर्व बैंक कदम उठा रहा है.

BEFORE	From 2023
if such non-resident/foreigner came to India, he could not do shopping using UPI money transfer from their NRE/NRO** bank account,	This facility made available to G20 nations ke tourists coming to India.



** Non-Resident Indians/foreigners can open bank accounts in Indian banks. Such accounts are known as NRE/NRO/FCNR (Foreign Currency Non-Resident Account). NRE/NRO/FCNR= internal difference is not imp. For our exam.



10.20.2 Nostro-Vostro / Rupee-Ruble / Rupee-Rial Agreement?

(Ref: Pillar#3: international trade / currency exchange)

10.20.3 RUPAY Cards- International acceptance

2023-June: RBI allowed international use of RuPay cards. That means an Indian travellers in use them abroad for ATM money withdrawal and shopping. 2024: implemented for Mauritius.

10.20.4 UPI in Srilanka, Mauritius etc.

As of 2025-Nepal, Bhutan, Sri Lanka, UAE, Singapore, Mauritius, France, UAE etc allow UPI facility. This helps Indian tourists to pay through mobile phones.

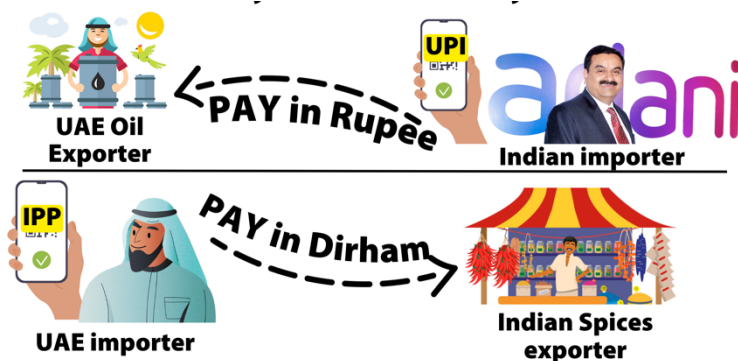
MCQ. How many have signed UPI transaction deal with India? (Pre'25)

I. United Arab Emirates II. France III. Germany IV. Singapore V. Bangladesh

Codes: (a) Only two (b) Only three (c) Only four (d) All the five

Ans. Tough Question. As of 2025-May: answer is - (C) 3 of them - UAE, France, Singapore.

10.20.5 UPI@Global: India-UAE: LCSS: UPI-IPP linkage (2023-Aug)



- 2023: Central banks of India and UAE signed Local Currency Settlement System (LCSS) agreement. This will allow importers/exporters/investors/tourists to pay in their respective domestic currencies i.e. in Indian rupee (INR) & UAE Dirham (AED). (Without using Dollars.)
- Both nations also trying UPI-IPP linkage for easier Local Currency Settlement System (LCSS).



Country →	India	UAE
Mobile based Fast Payment Systems (FPSs) →	UPI	Instant Payment Platform (IPP)

📖 More about currency exchange in (Ref: Pillar#3 Currency Exchange)

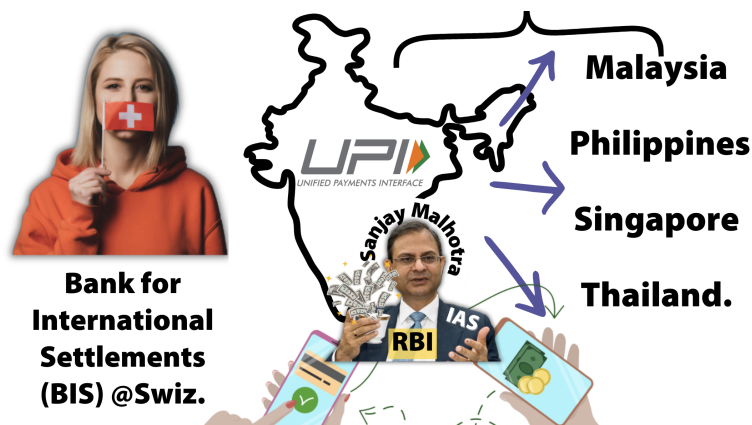
10.20.6 🌐 🇦🇪 UAE's JAYWAN card (=RUPAY) & AANI (=UPI) based on NPCi's model

- National Payments Corporation of India (NPCi) is collaborating with UAE's Al Etihad Payments (AEP) for creation of domestic card scheme JAYWAN in UAE.
- UAE's JAYWAN is based on the RuPay card. UAE's AANI is UPI like money transfer tech.
- It'll help UAE to become 'self-reliant' (presently dependent on MasterCard visa, et cetera, foreign players for running the card system)

MCQ. JAYWAN is the domestic Debit Card of which of the following countries? (CAPF-2024)

(a) UAE (b) Egypt (c) Saudi Arabia (d) Nepal

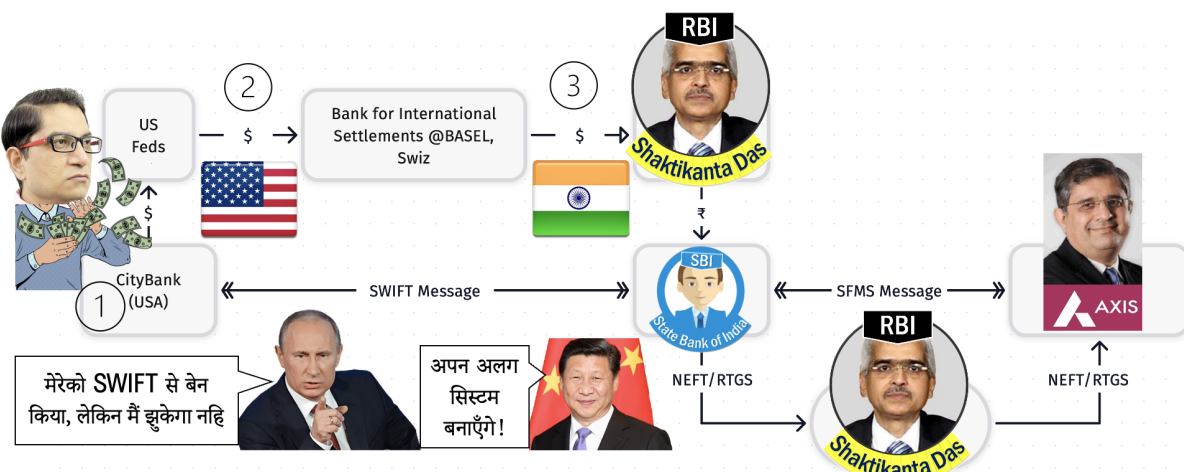
10.20.7 🌐 UPI@global → Project Nexus Indian-UPI connect with some Asian nations (2024)



- **Objective?** To Connect India's Unified Payments Interface (UPI) with the Fast Payments Systems (FPSs) of Malaysia, Philippines, Singapore & Thailand.
- **Nodal/Coordinator?** Bank for International Settlements (BIS, Basel, Switzerland)
- **Benefit?** will help in crossborder payments for Person to Person (P2P) and Person to Merchant (P2M) within 60 seconds.

10.20.8 📞 Financial Messaging Systems: SWIFT- Russia gets banned

Globally (वैश्विक स्तर पे पैसा भेजना हो)	Within India (भारत के भीतर ही पैसा भेजना हो!)
Society for Worldwide Interbank financial telecommunication (SWIFT)	Structured Financial Messaging System (SFMS)
By a Cooperative organization in Belgium's La Hulpe city (1973).	designed by Tata Consultancy Services (TCS) for IDRB (Research arm of RBI)
To serve the messaging function for Banks, NBFCs & brokers who may / may not have direct bank relations / settlement systems with each other due to international borders.	to serve the messaging function in NEFT, RTGS, and other inter-bank, intra-bank e-transactions platforms within India.



😞 Nations banned from SWIFT: 1) Iran (Capital Tehran) 2) 2022: Russia got ban, after invading Ukraine. This will make it very difficult for the Russian banks/ NBFCs /businessmen to send and receive money internationally (यूक्रेन-आक्रमण के खिलाफ रूस को स्विफ्ट-वित्तीय संदेश प्रणाली से प्रतिबंधित किया गया है जिसके चलते रूसी बैंक वित्तीय संस्थान और उद्योगपतियों को अंतरराष्ट्रीय स्तर पर पैसों के लेन में दिक्कतें आएंगी।)

10.21 🧐💰📅 PAYMENT SYSTEM OPERATORS?

Payment and Settlement Systems Act, 2007: RBI gives license to Payment System Operators (PSOs).

Type of PSO	Examples
Umbrella Entity For Retail Payments →	NPCI (learned in previous section)
Card Payment Gateway Operator →	MasterCard, Visa, Rupay
Crossborder / International Remittance	Western Union, MoneyGram
Prepaid Payment Instrument (PPI)	AmazonPay, Mobikwik, Phonepe, PayU, etc
Payment Aggregators (PAs)	They help the merchant to collect payment from customer digitally e.g. Paytm, Amazon, GooglePay, CCBill, CCAvenue, Razerpay, Stripe etc.
ATM Operators	SBI etc's own ATMs White label ATMs by Tata, Muthoot, SREI etc
Financial Market Infrastructure Provider (Ref: HDT-Pillar#1C)	Clearing Corporation of India (CCI): provides digital infrastructure for share/bond/foreign currency deals etc.

10.21.1 🧐💰📅 New Umbrella Entity (NUE) for Retail Payments System (2019)

- ⇒ Paytm has rival companies like Mobikwik, Phonepe; Mastercard vs Visa; SBI vs Axis Bank;
- ⇒ But there is no rival company against NPCi. वर्तमान समय में NPCi का प्रतिस्पर्धी कोई नहीं है
- ⇒ NPCi is an umbrella entity for retail payments system - it operates in card payment (RuPay), Money transfer (IMPS), Mobile Apps (UPI, BHIM), ATM Network (NFS) etc.
- ⇒ 2020: RBI issued a proposal, "if any Indian company interested to compete in this (NPCi-like) retail payment segment, we'll license them as new umbrella entity (NUE: खुदरा भुगतान के लिए नई छतरी इकाई). Subject to these technical "XYZ" technical eligibility requirements"

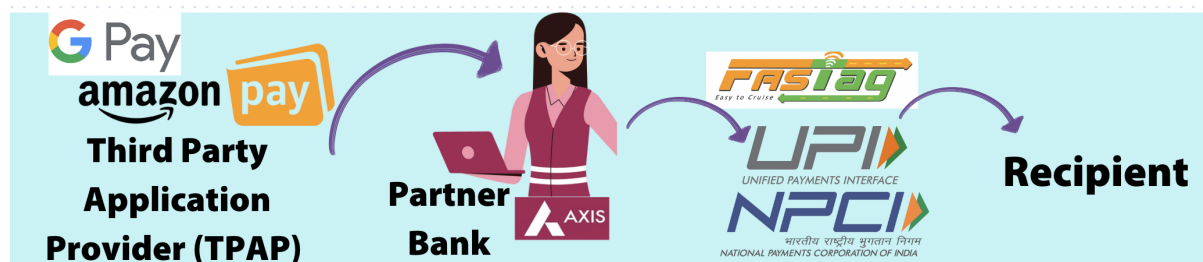


👉 **Benefits?** More companies like NPCi → more competition → more innovation and cheaper services for users. (स्पर्धा बढ़ेगी तो नए आविष्कार होंगे, डिजिटल भुगतान सेवाएं पहले से भी ज्यादा सस्ती / किफायती/बहेतर हों)

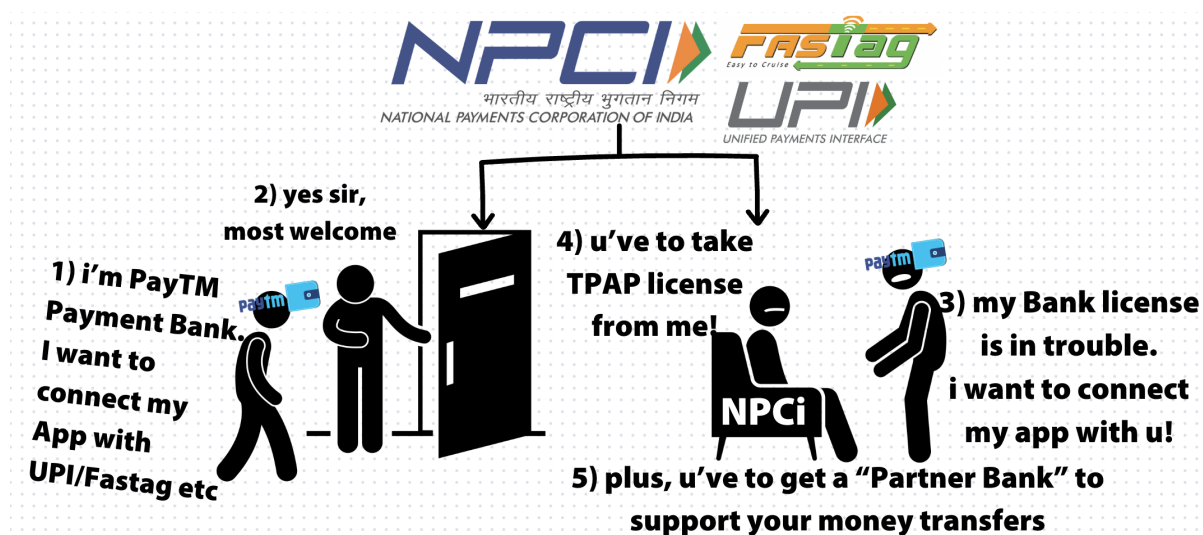
⇒ Facebook, Google, Amazon, Flipkart and others had applied for NUE licences. But none of them met RBI's expectations.

⇒ **2023-Jan:** RBI has put this license process on halt/suspension. (जिन कंपनियों ने अर्जी डाली थी उनके अनुभव और काबिलियत से रिजर्व बैंक संतुष्ट नहीं था. इसलिए अभी रिजर्व बैंक ने इस पूरे मामले को ठंडे बस्ते में डाल दिया है)

10.21.2 🧑🏫 Third Party Application Providers (TPAPs): Google Pay, Whatsapp Pay



Now PayTM facing problem because:



👉 **FAQ: How can NPCi give license? it is not a statutory body unlike RBI.**

Ans. Don't mix the word 'license' with sarkari type licenses (Gun /vehicle/bank etc.) Here, the word 'license' is in context of getting permission from a company. Example, If you want to use Photoshop software, you have to "buy" license-key from Adobe company.

10.22 🧑🏫 DIGITAL PAYMENT REGULATORY BODIES (नियंत्रण संस्थाएँ)

10.22.1 🧑🏫 Digital Transactions Ombudsman (DTO-2019 / लोकप्रहरी)

⇒ RBI designates senior RBI officials at 21 places across India as DTO. They hear customer complaints upto ₹ 20 lakh against prepaid payment instruments, Mobile wallets, Apps, NEFT/RTGS and other digital transactions. (डिजिटल लेनदेन शिकायत निवारण अधिकारी/लोकप्रहरी).

⇒ They can order the company / bank to fix problem and pay upto additional ₹ 1 lakh for mental agony of customer → Higher Appeal to Dy.Gov of RBI. (मानसिक उत्पीड़न के लिए जुर्माना/मुआवजा).



⇒ If matter > ₹ 20 lakh, then matter outside his jurisdiction. Victim has to approach courts. (20 लाख से अधिक रकम का मामला होगा, तो पीड़ित ने न्याय/इंसाफ के लिए अदालत/कोर्ट में जाना होगा)

10.22.2 🏦👤 RBI: BPSS (Statutory body)

- ⇒ **1998:** Narsimham-II Committee on Banking Reforms suggested regulatory framework for e-banking, card payment etc. Then,
- ⇒ **2007:** Payment & Settlement Systems Act (भुगतान और निपटान प्रणाली अधिनियम) → RBI → (Statutory) Board for Regulation and Supervision of Payment and Settlement Systems (BPSS: भुगतान और निपटान प्रणाली के विनियमन और पर्यवेक्षण के लिए बोर्ड).
- ⇒ All types of payment system providers have to register with RBI's BPSS- whether bank, non-bank, wallet/Prepaid Payment Instrument (PPI) etc. (सभी भुगतान संस्थाओं ने पंजीकरण करवाना अनिवार्य)

10.22.3 🏦👤 Payment Regulatory Board (PRB)

Government wanted to setup this body few years ago. But, this is not YET setup, and no new developments. So, **Outdated for 2025-26. Deleted for #Prelims-RAFTAAR**

10.23 🇮🇳🇮🇳 DIGITAL PAYMENT RELATED INDEX / COMPETITIONS/REPORTS BY RBI

Below table given if preparing for RBI grade-B officer exam etc. I am not spending time in writing the ranks because poor cost benefit for #IAS-Prelims-RAFTAAR.

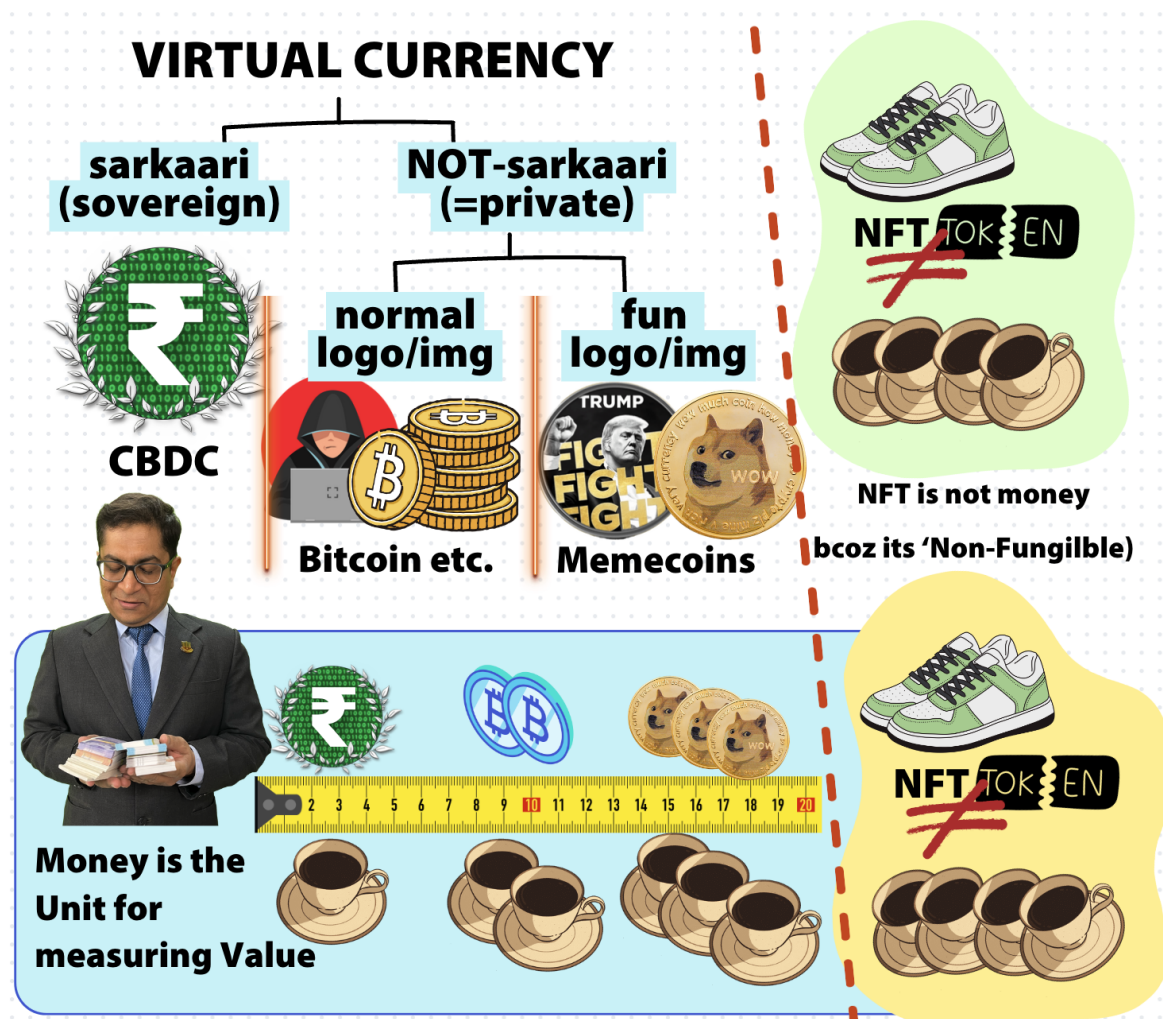
🇮🇳🇮🇳REPORT	RBI's Payment and Settlement Systems in India Vision 2019 – 2021
🇮🇳🇮🇳INDEX/Ranking	RBI Digital Payments Index– to check level of digital payment in various areas of India. (DPI डिजिटल भुगतान सूचकांक)
🇮🇳🇮🇳INDEX/Ranking	RBI's Financial Inclusion Index– to check whether every poor person is having access to banking, loan, insurance pension, etc. (वित्तीय समावेशन सूचकांक)
🇮🇳🏆Competition	RBI's Harbinger Hackathon competition for innovation in digital payment. 2024 competition on 2 themes (1) 'Zero Financial Frauds' (2) 'Being Divyang Friendly'.

10.24 🔗🔗 CRYPTO-CURRENCY & BLOCKCHAIN TECHNOLOGY

Note: For easier visualisation, I have wrote "bitcoin" instead of "crypto-currency" at most places.

- ⇒ [Definition] **Cryptocurrency:** is a digital / virtual currency created & stored using blockchain technology. क्रिप्टोमुद्रा एक डिजिटल मुद्रा है जिसे ब्लॉकचेन तकनीक का उपयोग करके बनाया और संग्रहीत किया जाता है।
- ⇒ [Definition] **Blockchain:** A secured decentralized database/ distributed ledger technology (DLT) that maintains a continuously growing list of records / transactions. Old entries can't be deleted, new entries will be visible to all. Mainly used for running cryptocurrency network. But it can also store any type of data. (ब्लॉकचेन एक डेटाबेस है जो रिकॉर्ड की निरंतर बढ़ती सूची को विकेन्द्रीकृत रूप से बनाए रखता है।)
- ⇒ [Origin] Anarchist groups lost faith in FIAT MONEY because USA's Subprime Crisis (2007) eroded the purchasing power of US Dollar. They also dislike **Banks & Card Companies** because of transaction charges on e-banking, card payments, MDR, interoperability issues. (अशासनवादी समूहों को सरकार द्वारा जारी की मुद्रा नापसंद। इन अशासनवादी समूहों को बैंक और कार्ड कंपनियों से भी नफरत है।)
- ⇒ **2009:** An anonymous user (अनाम/अज्ञात) **Satoshi Nakamoto** launched a cryptocurrency 'Bitcoin'.
- ⇒ total 21 million Bitcoins, wherein 1 Bitcoin (BTC) = 10^8 Satoshi (the smallest unit).
- ⇒ **Other examples:** Ethereum, Litecoin, Digicoins, Laxmicoin, Ripple, Dogecoin etc.

10.24.1 → Virtual currency ☒ MEME Coins e.g. Trumpcoin



- A meme coin is a cryptocurrency named after characters, celebrities, animals, artwork, etc to be humorous, light-hearted
- not issued by government. Issued by private coders / individuals.
- 2013: Dogecoin (photo of a Japanese dog) is considered to be the first meme coin.
- 2025: \$TRUMP meme coin (photo of Trump rising a fist). 1 unit of TRUMP meme coin = \$29 as of 25/jan/2025.

Meanwhile, 🇮🇳 Zhande-walle Babushone:



**Virtual currency, Digital
Currency & Crypto currency
are not same.
There is XYZ technical
difference between them.**



10.24.2 🛡️ Hot Wallet vs Cold Wallet

Just like you store money in Paytm DIGITAL Wallet. You can store Bitcoin and other cryptocurrency in Crypto Digital Wallets. Such wallet could be hot wallet or cold wallet.

- ⇒ 🔥 Hot wallets are connected to the internet, (e.g. an online app)
- ⇒ ❄️ Cold wallets are not connected to internet (e.g. a USB pendrive).



10.24.3 🌐📈📉🧊👤 Crypto-Winter in Bitcoin Prices (भाव गिरा)

- ⇒ Between 2021-Nov to 2022-Jun: Bitcoin fell from ~\$70,000 to \$20,000 → almost 70% loss! & similar situation in many other cryptocurrencies. Some experts feared the prices will remain frozen in this range for upcoming months, hence using the term "Crypto-Winter" to denote it. (क्रिप्टो-मुद्राओं के दाम गिर गए हैं और वापस ऊपर नहीं चढ़ रहे, लगता है क्रिप्टो-बाज़ार सर्दी/ठंडी में जम गया है)

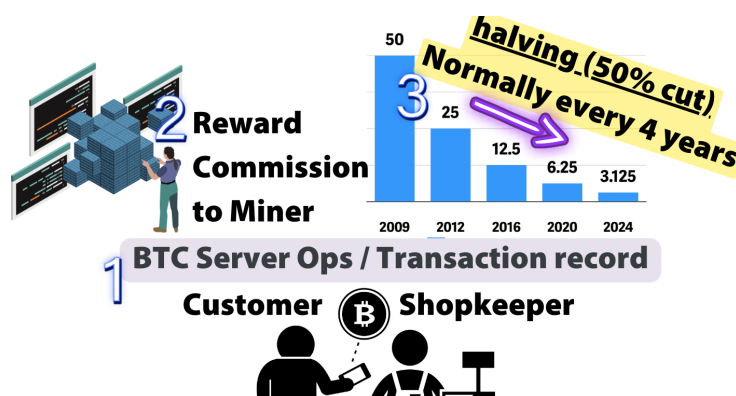
10.24.4 ₿ Bitcoin crosses historic \$100K mark (2024-Dec)

- ⇒ 2024: 1 Bitcoin = ~\$60,000 range for major majority of the year.
 ⇒ Trump and Elon Musk's pro-crypto stance → investors speculated Prez Trump will relax taxes and regulations over Bitcoins → So, Investor started buying more and more bitcoins.
 ⇒ 2024-Dec: 1 Bitcoin = \$100,000; then in 2025: it crossed above 1 lakh dollars.

10.24.5 → Virtual currency 🇺🇸 USA Bitcoin Strategic Reserve Fund (2025)

- ⇒ 1975: U.S. Strategic Petroleum Reserve was created. The USA government purchases oil when it is available at a cheap price. → uses it as a buffer against global supply shocks later.
 ⇒ Over the years, USA federal officers seized ~200,000 bitcoins from criminals and tax evaders.
 ⇒ 2025-Jan: Trump set up a committee to create a US bitcoin strategic reserve fund from it.
 ⇒ 🏆 **Benefit?** (1) Sell Bitcoins at a profit when its price goes up. (2) Use the profit money for welfare programs, etc. (3) Cover the Fiscal debt without raising taxes. (Ref: Pillar#2D for more on Fiscal debt)

10.24.6 📈 Bitcoin Halving = 50% reduction in the reward to miners (2024)



What does this chart mean? Ans. Watch lecture.

10.24.7 🌐📈📉🧊👤 Crypto-scams - Recent Global Scams

Following portals/website/online-exchange sites help users buy/sell cryptocurrency.

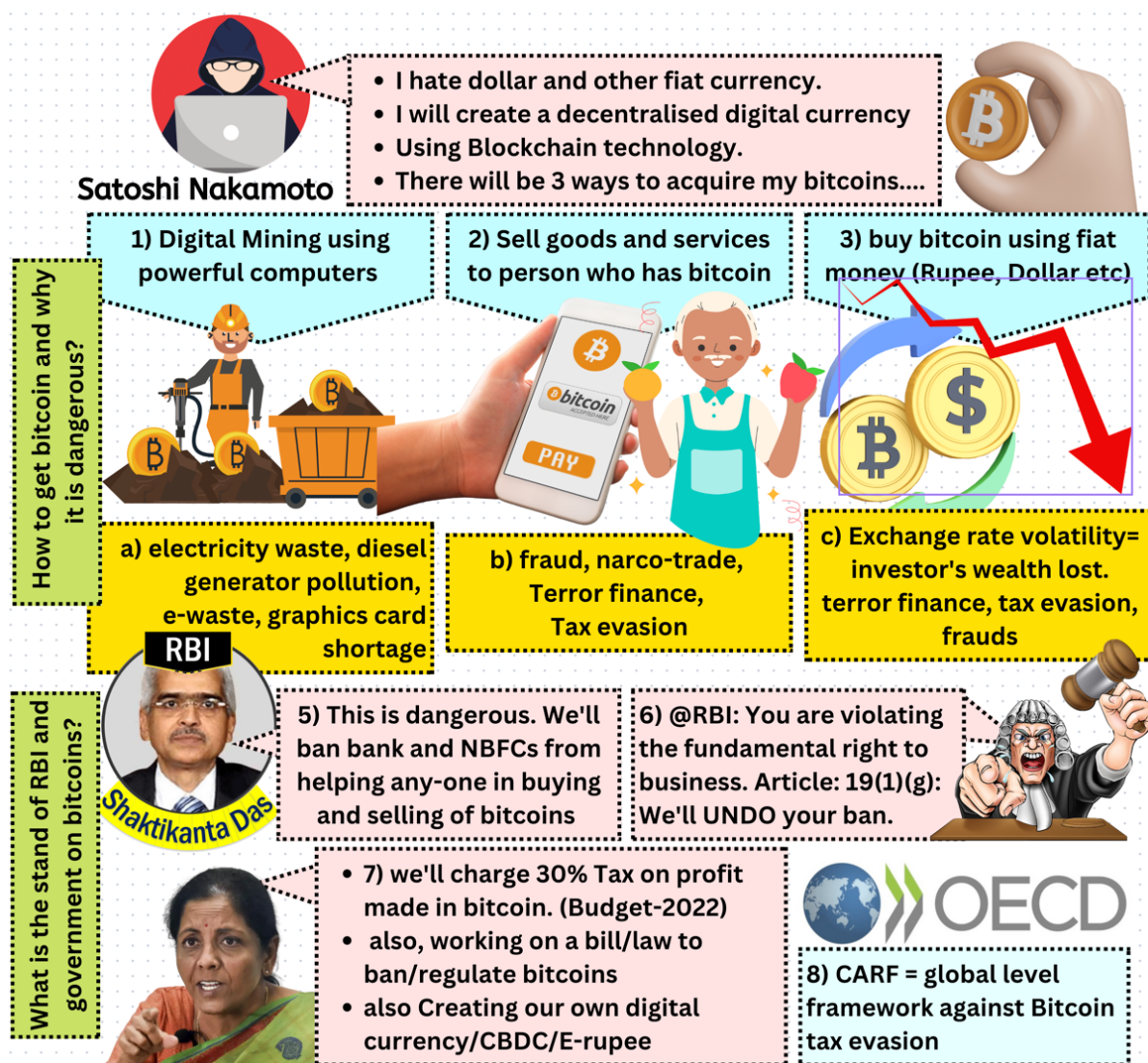
Binance	Infamous for frauds/scams.
FTX	⇒ Its founder/CEO arrested for scam → 10 lakh+ investors' money got stuck.
WazirX	⇒ This Indian cryptocurrency portal lost \$230+ million in a cyber-attack (2024)

▶️ 🧑🏫 **FAQ:** How were these scams conducted? Ans. Its forensic analysis not important for our exam.
 Ans. Sufficient to know these are the dangers associated with crypto currency. (ऑनलाइन प्लेटफॉर्म जहाँ क्रिप्टो मुद्रा की खरीद बिक्री की जाती थी. 10 लाख से अधिक निवेशकों को चूना लगाया गया/ गबन हुआ है)

▶️ 🧑🏫 **FAQ:** How is Bitcoin not traceable, we can trace it using XYZ technology?



✓ Ans. Using HTML, we can create Wikipedia website and using HTML we can also create gmail website. While everyone can read Wikipedia, I can't read your gmail, unless I know your username password. Blockchain is similar. It depends on designer to make database "open" or "private/encrypted". Beyond that, we are not here for B.Tech (Computer Science) Semester exam/James Bond recruitment. We just have to memorize 3-4 negative points for exam.



10.24.8 🗝️🔒: Crypto currency observations by 📊 EcoSurvey'23

- ⇒ Cryptocurrencies are primarily held by a few big players/"whales". So they can manipulate the prices by manipulating the supply.
- ⇒ Problems related to electricity-consumption, tax-evasion, abnormal fluctuation in prices, investors-fraud, no-intrinsic value et cetera.
- ⇒ then economic survey, 2023 give various examples of different-different legal provisions in EU, Japan, Switzerland, Nigeria etc. But from exam point of view not much benefit chasing it.
- ⇒ sufficient to know that coordinated international effort required to regulate the sector. OECD and G20 group are working in this direction. More about these intl.orgs in Pillar3B.
- ⇒ And ideally, we need strict rules over crypto-market, just like we've strict rules over sharemarket



(चंद बड़े खिलाड़ियों ने ज्यादातर क्रिप्टोमुद्रा अपने कब्जे में की है। और वही खिलाड़ी इसकी सप्लाई/आपूर्ति को नियंत्रित करके, उसके दामों में छेड़छाड़ करते रहते हैं। क्रिप्टो मुद्रा में बिजली की खपत, कर-चोरी, आम-निवेशक से धांधली होती है। विभिन्न देशों में इसपर अलग-अलग के नियम/कानून बनाए गए हैं, लेकिन वैश्विक रूप से नियमों में एकरूपता और सहकार की जरूरत)

10.24.9 Cryptocurrency Profit pe 30% Tax and 1% TDS in Budget-2022

Refer to Pillar2A: Budget Direct Taxes to learn this matter.

10.25 CRYPTOCURRENCY BANNED IN OTHER NATIONS?

⇒ Nepal, Algeria, Egypt, Morocco, Turkey, Iran etc: Bitcoin is illegal. (कुछ देशों में क्रिप्टो मुद्रा रखना गैरकानूनी है)

⇒ Chinese prohibited the banks from providing buying/selling/investment services for bitcoin etc cryptocurrencies. After this crackdown, Bitcoin prices fallen ↓ ↓ by 30%

10.25.1 Crypto currencies developments in some countries

Venezuela	Two legal tenders: 1) Bolivar Paper currency issued by Govt 2) Petro Cryptocurrency issued by Govt.
Marshall Islands	Capital: Majuro, Sovereign state having free association with USA (for defense, social security, budget). Legal Tender was U\$D. But, ⇒ 2018-Feb: became first country to launch sovereign cryptocurrency named “Sovereign” [SOV]. So, now two legal tenders: US Dollars and SOV.
El-Salvador	⇒ El-Salvador: Two Legal tenders [1] US Dollars. [2] Bitcoin (from 2021). ⇒ Thus, El-Salvador = 1st nation in the world to allow Bitcoin as legal tender
Bhutan	- Bhutan requires foreign tourist to pay daily tourist fee (in addition to Hotel, food, et cetera,) but 2020: Corona → Tourists flow ↓↓. 2023: Bhutan decreased tourist fee from \$200 to \$100 to attract tourists 2025: Bhutan allows tourist to pay for hotels, food, taxi etc using cryptocurrency, with help of a Crypto-company named Binance.
Pakistan 2025	⇒ Pakistani public unable to afford the electricity bills so Pak. Govt allotted 2,000 megawatts (MW) of electricity for cryptocurrency. (with hopes of attracting foreign investors / miners in Pak.) ⇒ 2025: official Pakistan Crypto Council (PCC) signed deal with Trump’s company World Liberty Financial (WLF) for bringing blockchain innovation, stablecoin adoption etc. in Pakistan

10.25.2 Cryptocurrency Permitted in Other Nations/Groups

UNICEF 	⇒ United Nations International Children's Emergency Fund (UNICEF, HQ- New York, USA; 1946, later renamed to UN Children's Fund) ⇒ 2019: UNICEF setup a Cryptocurrency Fund to accept donations in cryptocurrencies. It has become the first UN organization to accept cryptocurrency. (यूनिसेफ संस्था दान में क्रिप्टो मुद्रा का भी स्वीकार करती है)
World Bank	⇒ 2018: World Bank launched World’s first blockchain bond called “Bond-i” in Australia, denomination: Australian Dollars → public invests, gets ~2% interest after 2 years.



(More about
this org in
Pillar#3B)

⇒ Blockchain bond requires less cost in server / database /paperwork maintenance unlike traditional bonds. More in Pillar#1C: Sharemarket

10.26 CRYPTOCURRENCY → GLOBAL REGULATIONS

10.26.1 Global Regulations → MICA regulation by EU (2023)

- ⇒ European union (EU)'s rules called the Markets in Crypto Assets (MiCA)
- ⇒ To protect people from scams /frauds in crypto currency investment.
- ⇒ To combat tax-evasion, money laundering (i.e. converting black money into white) AND terror-finance. Doesn't regulate central bank digital currencies (CBDC).
- ⇒ Doesn't regulate nonfungible tokens (NFTs).

10.26.2 Global Regulations → CARF Framework by OECD (2022)

- ⇒ Crypto-Asset Reporting Framework By OECD (Organisation for Economic Co-operation and Development) Objective? Similar to EU's MICA Rules.

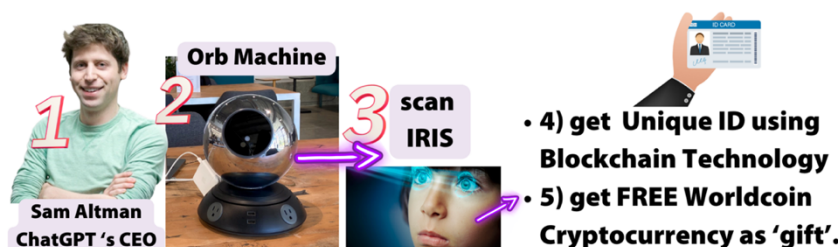
10.26.3 Cryptocurrency → Stable-coins & Genius Act

- ⇒ Stablecoin is a type of cryptocurrency whose price is backed by a reserve asset like gold / dollar / fiat currency e.g. Facebook's proposed 'Libra', Tether, Basecoin, and TrueUSD.
- ⇒ But, stablecoins challenges: 1) money laundering (धनशोधन / काले धन को वैध बनाना) 2) terror financing (आतंकी वित्तपोषण) 3) lack of consumer protection (उपभोक्ता संरक्षण की कमी) 4) financial frauds (वित्तीय धोखाधड़ी). **2019:** France, EU, G20 group opposed. (बड़े देश/संगठन इसके विरोध में हैं)
- ⇒ **2025:** USA Prez Trump brings GENIUS Act to regulate Stable-coins in USA.

10.26.4 USA 3 laws on cryptocurrencies

Act/Bill	Purpose
CLARITY Act	To Regulate Cryptocurrencies
GENIUS Act	To Regulate Stablecoins
Anti-CBDC Surveillance State Act	To prevent USA's Central Bank (US Federal Reserve) from misusing CBDC/digital currency for surveillance of citizens.

10.26.5 World Coin Project (2021–22)



Pros and Cons? Similar to the Aadhaar card:

- Pros: IF governments across the world ACCEPT this as “identification proof”= easier to avail various government schemes benefits / college admission / passport application etc. Time-trouble



saved. (यदि देश विदेश की सरकारें इसे एक आधिकारिक पहचान पत्र के रूप में मान लें तो गरीबों को विविध योजना स्कूल कॉलेज दाखिले आदि में काफी सुविधा हो सकती है)

- Cons: concerns over privacy / misuse. (निजता का हनन. दुरुपयोग का भय)

AB CD ? MCQ. Find correct statement(s) about Bitcoin? [UPSC-CDS-2017-I]

- (1) It is a decentralized virtual currency. (2) It is generated via complex computer software systems.
- (2) Reserve Bank of India has recognized Bitcoin as a legal tender in January 2016.

Answer Codes: (a) 1 only (b) 1 and 2 only (c) 2 and 3 only (d) 1, 2 and 3

AB CD ? MCQ. Find correct statement(s) about "Blockchain Technology" [UPSC-Prelims-2020]

1. It is a public ledger that everyone can inspect, but which no single user controls.
2. Structure and design of blockchain is such that all the data in it are about cryptocurrency only.
3. Applications that use basic features of blockchain can be developed without anybody's permission.

Answer Codes: [a] 1 only [b] 1 and 2 only [c] 2 only [d] 1 and 3 only

Print ₹2-2000 currency notes in physical paper = problems

Let me issue the currency notes in digital form instead of printing = CBDC/E-rupee

क्यों ना नोट को कागजी स्वरूप में ना छापे बल्कि डिजिटल स्वरूप में जारी कर दिया जाए

10.27 🐯🔗🇮🇳 **CENTRAL BANK DIGITAL CURRENCY (CBDC) केंद्रीय बैंक डिजिटल मुद्रा**

Year	Nation	Paper Currency	CBDC
2020	Bahamas (Capital Nassau) – 1 st nation in the world to issue CBDC##	Bahamaian Dollar BSD	“digital B\$”, also called ‘sand dollar’. issued Non-Interest Bearing CBDC
2021	Nigeria (Capital Abuja)	Naira	the “eNaira”-Non-Interest Bearing CBDC.

🇵🇸🎓 **Marshal island launched SOV currency in 2018 then shouldn't we call it the first country to launch CBDC? why above table says Bahamas is 1st country to launch CBDC?**

⇒ Ans. Big Newspapers using such headlines. I didn't bother to write/ask to their chief-editors. If asked in Exam, then tick MCQ depending on options.



⇒ China, Britain, Japan, Singapore, Sweden have also started such experiments.

⇒ 🛍️👤 Budget-2022 announced issuance of Digital Rupee using blockchain technology).

10.27.1 🚩👤 Zhande-walle Babushono ke liye special instruction: (अग्रिम सूचना)

- Following are the features told by the (A) Govt to the Parliament and (B) RBI governor in a press release. So, accept and memorize it.
- Please **do not waste your time engaging in academic/legal debates - if you value your time and wish to complete the syllabus in a timely fashion.**

10.27.2 🇮🇳 Indian CBDC symbol (₹)

Normal rupee = ₹ or INR.

CBDC rupee = ₹ or eINR.

10.27.3 🇮🇳 (₹) CBDC wholesale vs Retail

⇒ Presently RBI doing trials/experiment/pilot-studies in two segments:

Type	CBDC-Retail (₹-R)	CBDC-Wholesale (₹-W)
Trial-Purpose	• Person to Person (P2P) • Person to Merchant (P2M) transactions.	• Secondary market transactions in government securities • Interbank borrowing for short-term loans • Crossborder payments.
Details	given in present handout 1A1	Ref: Pillar#1C to understand these terms.

1 give legal tender to buy "token (chips)" from Casino

2 after winning → u can exchange tokens with real money @Casino's Cashier.

3

so token 'represents' money inside Casino.

4

similarly CBDC = a digital token that represents legal tender

10.27.4 🇮🇳 (₹) Indian CBDC = digital token of legal tender

⇒ Indian CBDC (₹) is based on blockchain technology.

⇒ Indian CBDC (₹) is a digital token that represents legal tender.

⇒ (₹) created under RBI Act, 1934 by amending some sections in 2022.

⇒ RBI has issued (₹) on behalf of Government of India. [👤FAQ: **I have legal arguments against this.** Ans. ACCEPT it- bcoz Government said this in Parliament.]

⇒ (₹) is a liability of the RBI e.g. similar to cash note "I promise to pay the bearer on demand sum of ₹100 rupee".



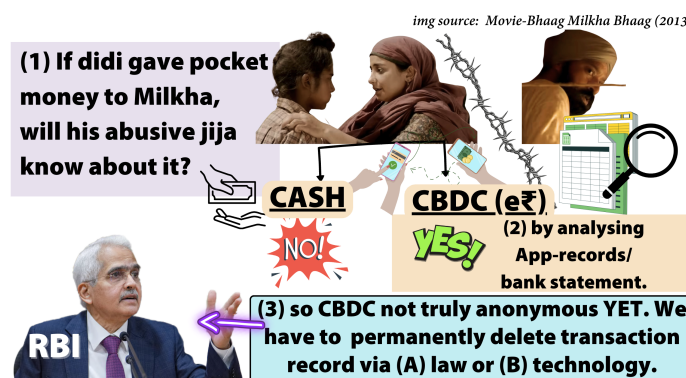
- ⇒ It is being distributed through financial intermediaries, i.e., banks.
- ⇒ Just like cash, it (e₹) will not earn any savings interest.
- ⇒ It offers features of physical cash like trust, safety and settlement finality.

10.27.5 🇮🇳 (e₹) → Settlement finality

- ⇒ “settlement finality” = there is no risk of reversal or cancellation after the financial transaction is complete. e.g. Cash or CBDC-e₹. (एक बार भुगतान कर दिया तो फिर सामने पार्टी के पास पैसा गया। उसको उलट नहीं सकते।)
- ⇒ Whereas, if a payment is made via Credit card/ cheque-book → customers can later block the payment by contacting the banker within a time-limit. So they (creditcard / cheque) do not have instant-settlement finality. (उधर आप बैंक में शिकायत कर के भुगतान को रोक सकते हैं।)
- ⇒ 🇮🇳 **FAQ: can we say that as mode of payment (UPI/Debit Card/NEFT-RTGS) also has settlement finality?** Ans. I copied only that much which is given in Newspaper/Press-release. I did not become Sherlock Holmes to do find further info/PhD. Feel free to delay your syllabus completion by asking ChatGPT.

10.27.6 → CBDC ☒ Permanent deletion of transactions to keep e₹ anonymous like cash

Note: This is proposed. This is not yet done. As of 15_Aug_24. सीबीडीसी द्वारा भुगतान के वक्रत नक़दी जैसी गोपनीयता नहीं रहती। इसलिए जबतक सीबीडीसी के लेनदेन के डिजिटल रिकॉर्ड को क़ायमीरूप से डिलीट/निरस्त न किया जाए, इसमें १००% गोपनीयता नहीं है।



10.27.7 🇮🇳 (e₹) Indian CBDC = no interest earning (नहीं मिलेगा ब्याज।)



- (e₹) stored in a separate digital wallet/separate mobile created by the bankers.
- (e₹) does not earn savings interest rate, unlike normal bank deposits (because you are keeping it with yourself in a digital wallet. So bankers do not treat it as a deposit).
- (e₹) can be converted to other forms of money, like deposits with banks. But then you will have to move that money out of your digital wallet → then you cannot use it as (e₹) [ब्याज कमाना है तो उसको डिजिटल बटुवे से स्थानान्तरित करना होगा।]



10.27.8 🇮🇳 (₹) CBDC - programability & offline features

- Presently (₹) can be used for Person to Person (P2P) and Person to Merchant (P2M) transactions. 2024-Feb: RBI proposed two new experiments:
- (1) Offline functionality in areas with poor or limited internet connectivity.
- (2) Programability. (given below) 📌

Programability	Example
Biz Travel	⇒ e.g. If Adani allows a company budget of ₹10,000 (₹) for his employees to use for buying railway tickets only. → then employees cannot use it for buying table chairs, IPL tickets, etc.
Expiry/Validity	⇒ e.g. The university gives ₹10,000 (₹) stipend to students to buy books within 1 month of admission. ⇒ If student does not buy the books, then the money will be returned back to the university.
Geographical	⇒ e.g. It cannot be used outside these XYZ GPS coordinates.

🧑‍🎓 **FAQ: Aren't these features similar to the e-Rupi gift cards by NPCi?**

Ans. Don't make khichdi of RBI's product vs NPCi's product. View them as separate photo frames. Observe the PYQs. UPSC unlikely to ask you compare/contrast between them two.

🐎✅🐎👉 Be focused on the track like a race horse. Don't loiter like a street-bull.

10.27.9 E-Rupee vs E-Rupi

Term	E-Rupee	E-Rupi
Founder	RBI	NPCi
Feature	Central Bank Digital Currency.	Digital GIFT CARD / SMS Code to help beneficiary do shopping.
Fiat money and legal tender?	Yes	No. Because, this is not money. This is a tool to use money.

10.27.10 🐼🔗🇮🇳 = 🙌🧑‍🎓 **Benefits of CBDC (केंद्रीय बैंक डिजिटल मुद्रा के फायदे)**

CBDC/ Sovereign Digital Fiat Money / Digital Base Money will provide following benefit

1. ↓ **Cost printing and transporting** physical currency. (नोट छापने की लागत और परिवहन खर्च में कमी)
2. ↓ **Scope for counterfeiting.** (जाली नोट बनाना मुश्किल)
3. ↑ **Traceability**, ↓ **Anonymity**: (ढूँढना आसान, गुमनाम/अज्ञात रहेना मुश्किल)
 - a. Whether money is reaching the intended beneficiary or not? (लाभार्थी को योजना का पैसा मिला कि नहीं)
 - b. From where did the businessman accumulate this money, did he pay an appropriate amount of tax or not? Else auto-alert to the Income tax department for tax evasion. (करचोरी पर निगरानी आसान)



4. Possible to develop programmable currency. E.g. govt transferring ₹6000 in poor farmer's account with condition ke it must be spent WITHIN next 15 days for buying seeds/farming tools ONLY.
 5. Global money transfer more easier. E.g. in future China may give DIGITAL YUAN currency LOANS directly to Ghana Without converting into US Dollars and without using SWIFT messaging system.
- + many other things but they are more relevant for Mains rather than Prelims.

10.27.11 🐼🔗👉👋👉 Challenges of CBDC (चुनौतियां)

1. 🧐 Digital Divide, Financial Literacy, Access Points: (डिजिटल उपकरणों की उपलब्धता की खाई, वित्तीय साक्षरता का भाव, डिजिटल भुगतान इस्तेमाल करने के पहुंच बिंदुओं की कमी)
 - a. Not everyone has electronic gadgets or internet connectivity, (सबके पास इंटरनेट नहि)
 - b. Not everyone knows how to operate bank account digitally, (सबको इस्तेमाल करना नहि आता)
 - c. Not every village shopkeeper accepts payments in the digital form. (दुकानदार नकदी मांगते हैं)
2. 🧐 Cyber Terrorism/Nuclear Attack/Natural Disaster. If electricity stops → economy will stop functioning. (साइबर आतंकवाद / परमाणु हमला / प्राकृतिक आपदा: विद्युत उपकरण बंद तो अर्थव्यवस्था बंद)
3. 🧐 Maintaining the blockchain → 24/7 use of server/electricity → e-waste, pollution. (प्रदूषण)

10.27.12 🐼🔗👉👋👉 (₹) CBDC - Interoperability permitted with UPI QR Codes

- 2022–23: CBDC trials/experiments started in a few cities.
- So bankers have developed separate apps to use CBDC money

App	Before	AFTER 2023-Sept
(1) SBI Yono App (Normal money)	can scan & pay UPI-QR codes	can scan & pay UPI-QR codes
(2) SBI-₹ App (To use CBDC money)	can't scan UPI-QR codes. It required separate codes	can scan & pay UPI-QR codes
Interoperability?	👉👉 Absent/Denied by RBI	✅ Present / permitted by RBI

10.27.13 🐼🔗👉👋👉 (₹) CBDC wallets: Non-banks can also create wallets (2024-April)

Before	After
banks had created wallets/apps for using CBDC e.g. (1) HDFC Bank Digital Rupee App (2) eRupee App by SBI	yes available
Non-banks e.g. Phonepe, Amazonpay could not create such wallet/apps.	Now RBI allowed

AB CD MCQ.Pre-2023: Find correct about Central Bank digital currencies,:

- (1) It is possible to make payments in a digital currency without using US dollar or SWIFT system.
- (2) A digital currency can be distributed with a condition programmed into it such as time-frame for spending it. Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2.

AB CD MCQ.Pre-2024: Find correct about digital rupee:

1. It is a sovereign currency issued by the RBI in alignment with its monetary policy.
2. It appears as a liability in RBI's balance sheet. 3. It is insured against inflation by its very design.



4. It is freely convertible against commercial bank money and cash.

Codes: (a) 1 and 2 only (b) 1 and 3 only (c) 2 and 4 only (d) 1, 2 and 4

Note: we'll solve this MCQ after finishing Pillar1A2 (monetary policy) since terms given in st1 and 2 required understanding of Pillar#1A2.

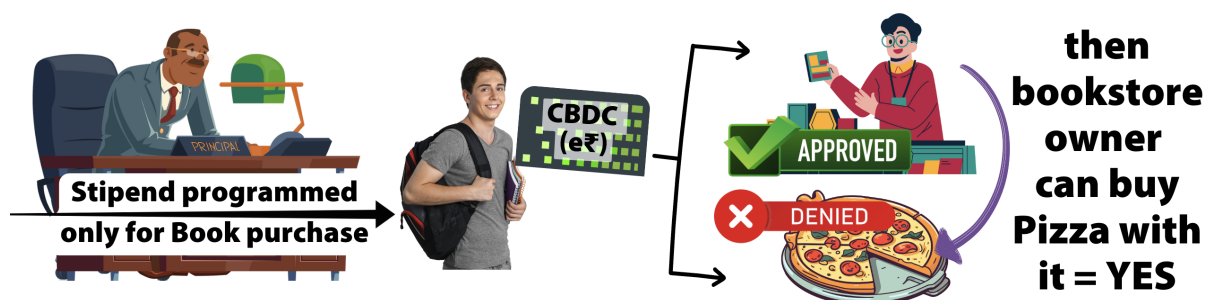
10.28 $\neq$ FUNGIBILITY?

Diamond NOT fungible

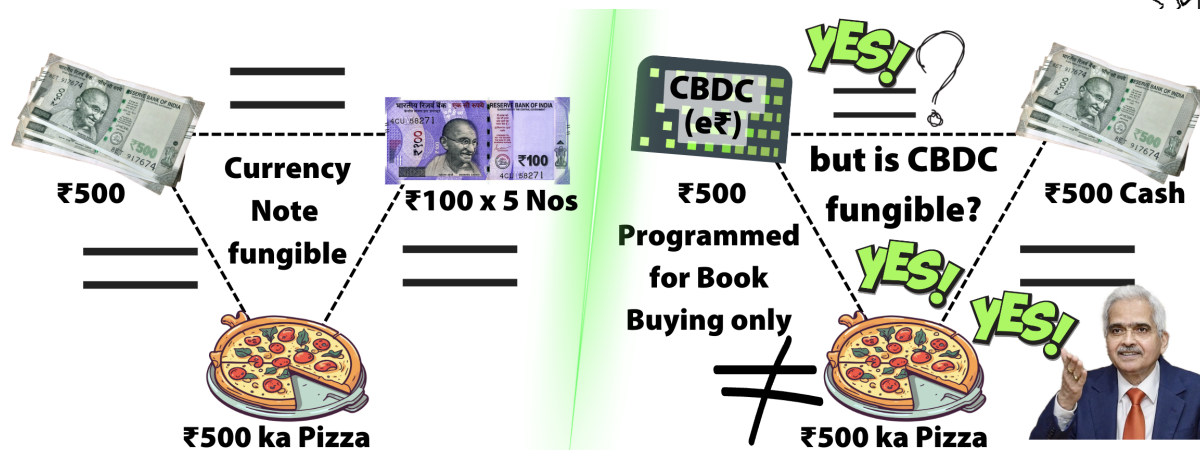


Item	Can it be subdivided in smaller units?	Is mutual substitution possible in terms of value?	Is it fungible?
₹500 Note	Yes ₹100x 5 Notes=500	Yes ₹100 x 5 Notes can buy same quantity of goods as a single ₹500 Note	Yes
1kg gold bar	Yes 100gm x 10 biscuits=1kg gold bar	Yes 100gm x 10 biscuits can buy same quantity of goods as a single 1kg gold bar	Yes
1Bitcoin	1BTC=10 ⁸ Satoshi coins	Yes 1BTC's value = 10 ⁸ Satoshi coins. So, theoretically, they buy same quantity of goods	Yes
100 gm single Diamond	Bigger single piece diamond considered to be more precious/valuable than small-small pieces diamond. So, 100gm Single_Big_Diamond =NOT equal 1gm x 100 small_Diamonds, in terms of value		No
Shares, Bonds	NOT possible (How Ref: Pillar#1C: SEBI sharemarket)		No
NFT	NOT possible. Explained in separate section.		No

10.28.1 (e₹): Fungibility of CBDC



Doubt: if we program the CBDC currency for specific use - example only for purchasing of books, then it is no longer fungible! Because we cannot use it for any other purpose e.g. buying Pizza!!



- ⇒ In that case, as soon as the book is purchased, the money goes to the bookshop owner → money again becomes fungible. Because the bookshop owner can use the money for any purpose
- ⇒ If the student doesn't buy the book, → CBDC-money goes back to the school, and fungibility is restored (because the school admin can use it for any other purpose).

"Thus, programmability does not violate/destroy fungibility (of Rupee), it is only a specific use binding." - said RBI Governor. (भले को शर्ती-प्रोग्रामिंग से CBDC ऐसा समित कर दिया जाए, की कुछ ही चीजे उससे खरीद सकते है. लेकिन फिर भी CBDC-रुपया फंजीबल है.)

10.28.2 Non-fungible token (NFT: गैर-फंजीबल टोकन)

- ⇒ (Definition) NFT is a Digital file, photo file (JPEG), Animated image (GIF), music file (MP3) etc Stored using blockchain Technology. ब्लॉकचेन प्रौद्योगिकी द्वारा संग्रहित फोटो, संगीत इत्यादि की डिजिटल फाइल है।
- ⇒ NFT may also be used in storing physical assets. E.g. Ownership document of house, boat, physical-painting etc. (भौतिक सम्पत्तियों की मालिकी दस्तावेजों का भी डिजिटलकरण कर एनएफटी में संग्रहित कर सकते है)
- ⇒ NFT cannot be subdivided. Their individual sub-units cannot be exchanged with one another. Because their values are different based on buyer's preference. So NFTs are non-fungible. (अलग अलग चित्र/संगीत कृतिओं का मूल्य, ग्राहक की पसंद से हिसाब से अलग अलग हो सकता है इसलिए उन्हे छोटे टुकड़ों में विभाजित करना / आपस में उनकी अदला-बदली नहीं हो सकती.)
- ⇒ Mass Hysteria going on to purchase such digital assets from new-age artists using (mostly) Ethereum cryptocurrency. (नए ज़माने के डिजिटल चित्र/धुन के एनएफटी खरीदने का सामूहिक पागलपन चल रहा है.)
- ⇒ e.g. American digital artist Beeple's Painting JPEG auctioned for \$70 million
- ⇒ E.g. Robot Sophia created a digital painting/art "Sophia Instantiation" (NFT) → Auctioned for more than 6 lakh dollar\$.
- ⇒ Many sportsmen, filmstars also creating NFT out of their posters/autographs but we'll not waste preparing all that General Knowledge (GK). (मशहूर खिलाड़ी और फ़िल्म अभिनेता भी इसे जारी कर रहे हैं)

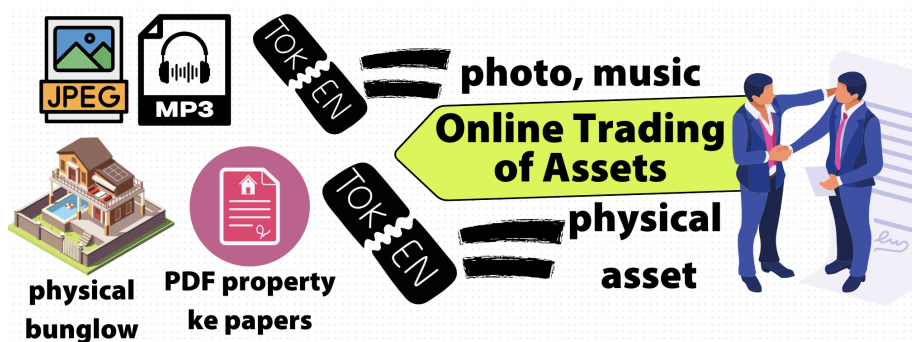
10.28.3 NFT-Charms? (आकर्षण)

- ⇒ 1) Multimedia Creators: Easier to trade digital assets (डिजिटल चित्रकार/धुनकार के लिए कृतियों की बिक्री)
- ⇒ 2) Easier to verify ownership records. Prevent plagiarism. (संपत्ती की मालिकी/स्वामित्व की जाँच करना आसान. नकलचियों के लिए जालसाजी करना / बनावटी दस्तावेज बनाना मुश्किल.)
- ⇒ 3) Cinema / Sports tournament / Travel tickets etc can be stored with ownership records. Helps in Paperless administration. (सिनेमा / खेल / परिवहन की टिकट की बिक्री डिजिटल स्वरूप से. कागज़ मुक्त प्रशासन.)

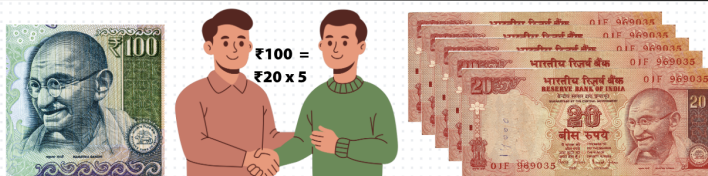


10.28.4 🧩🤖 NFT-Challenges: (चुनौतियां)

- ⇒ 1) Started in 2017 → steep price rise in 2021. Single GIF / meme file selling for millions dollar\$ worth of cryptocurrencies. This mass-hysteria / investment-bubble will collapse. Investors will lose money. (ये सामूहिक पागलपन / निवेश का गुब्बारा फट जाएगा तब निवेशकों का पैसा डूब जाएगा.)
- ⇒ 2) Money laundering & terror Finance. How: Ref Pillar#2. (धनशोधन और आतंकी वित्तपोषण में दुरुपयोग)
- ⇒ 3) Maintaining such computer blockchain record → Electricity consumption ↑ → CO₂ Emission. (इस डेटाबेस का संचालन में बहुत ज़्यादा बिजली खपत होती है, जिससे कार्बन डाइऑक्साइड उत्सर्जन में बढ़ोतरी.)



- token = ownership of shoes.
- Token itself is not 'shoe.'



ABCD ? MCQ. Find correct statements abt Non-Fungible Tokens (NFTs) (Prelims-2022)

1. They enable the digital representation of physical assets.
2. They are unique cryptographic tokens that exist on a blockchain.
3. They can be traded or exchanged at equivalency and therefore can be used as a medium of commercial transactions.

Codes: (a) 1 and 2 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

10.28.5 🧩 Epilogue- Babushone want only concepts not facts

🧐 FAQ: This handout contains so many facts. Can I skip it and just focus on the conceptual part?

Ans. Just for people like you, I have embedded PYQs inside this handout. Plz observe & reflect.

📄 Next Handout: Pillar1A2: Monetary Policy: CRR, SLR, Repo etc.



Pillar1A2: 🏦 Money Supply (M0-M4) & Monetary Policy- CRR, SLR, Repo

- **Note1:** yes lengthy HDT bcoz very frequently variety of MCQ asked from here in all exams.
- **Note2:** Yes New RBI governor is In December 2024, IAS Sanjay Malhotra replaced IAS Shaktikanta Das as RBI Governor. Updating all graphics/mindmaps in my Handout & PPT with the new photo is technically challenging, so please focus on the text content and avoid nitpicking 🙏

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11 💰 MONEY'S DEMAND, SUPPLY & CREATION

11.11 🙌 DEMAND OF MONEY: LIQUIDITY PREFERENCE THEORY (तरलता अधिमान)

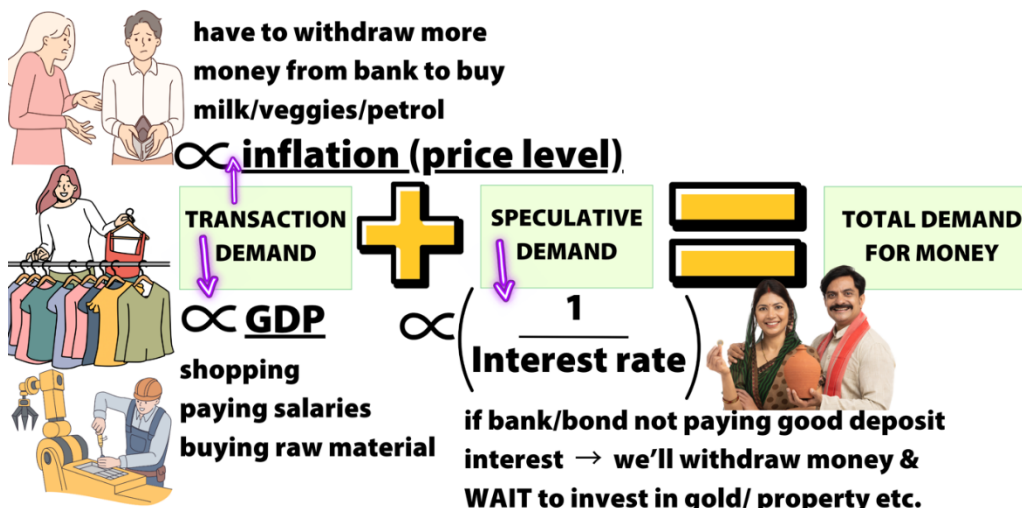
British Economist John Maynard Keynes (Book: *The General Theory of Employment, Interest and Money*, 1936) noted - people prefer to keep a part of assets in liquid form (cash money) with 3 motives: (लोग अपना कुछ पैसा नकदी में हाथ में रखेंगे. सारे का सारा पैसा बैंक में जमा नहीं कर देंगे. क्योंकि तीन कारण होते हैं)

मैं सारा पैसा बैंक बचत खाते में नहीं रखूँगी। थोड़ा केश/रोकडा/नगदी हाथ में भी रखूँगी.



1. 🥬 **Transaction motive (संव्यवहार उद्देश्य):** For using money as a medium of exchange e.g. for buying daily milk, vegetables. (रोजाना की खरीद के लिए कुछ पैसा हाथ में रखा जाता है. सारा पैसा बैंक में नहीं जमा करते)
2. 💊 **Precautionary motive (एहतियाती):** To protect against sudden / unforeseen expenditure e.g. medical emergency or impulsive purchase during a holiday trip. (घर में कोई बीमार हो गया, प्रवास में जाना)
3. 📈 **Speculative motive (सट्टा-उद्देश्य):** Investors hold cash to make the best use of any investment opportunity that arises later e.g. waiting for gold / land prices to fall, then "I will use my cash to buy it". Also known as "Asset Demand of Money". (जो संपत्ति मुझे खरीदनी है उसका दाम थोड़ा गिर जाए उसकी राह देख रहा हूँ)

The amount of money held in cash form **vary inversely with (deposit) interest rates**. If higher interest available in Bank Deposits etc. → people would invest money in banks, instead of keeping money in liquid form (cash). (बैंक वाला अगर बचत खाते पर अच्छा ब्याज देगा तो लोग हाथ में नकदी पैसा कम रखेंगे बैंक में निवेश ज्यादा करेंगे)

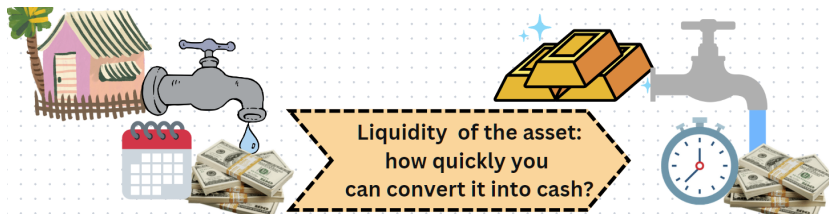




11.11.1 💰 TOTAL demand of money: factors affecting

- Total demand for money in an economy = transaction demand + speculative demand.
- 🧑 FAQ: why have you **not** mentioned **precautionary** demand in above formula? Ans. Because NCERT has **not** mentioned **precautionary** demand in the given formula.

11.11.2 🌧️💰 Liquidity of assets

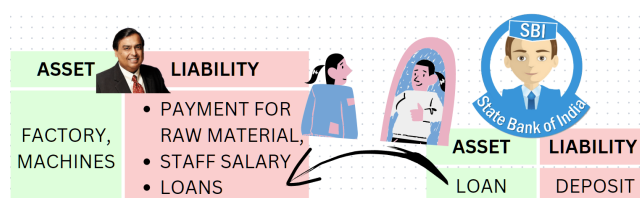


- **Liquidity**= ease of converting an asset into cash. Cash is the most liquid asset.
- 🌧️💰 **Highly liquid assets** = Gold, Demand deposits, G-Sec/T-Bill, shares/bonds of reputed companies. (अत्यधिक तरल संपत्ति: तुरंत खरीदार मिल जाते हैं. आप संपत्ति को नगदी धन में आसानी से परिवर्तित कर सकते हैं)
- 🏠 **Relatively illiquid assets**= Home/Real estate, Paintings/Sculptures etc. Because difficult to find buyers at right price instantly. खरीदार आसानी से नहीं मिलता इसलिए इन संपत्तियों की तरलता थोड़ी कम है
- 💰🌧️ **Liquidity injection / infusion** refers to phenomenon when RBI buys Bank/NBFCs' G-Sec/T-bill/financial assets to give them cash. (HOW? Ans. Watch Video) (तरलता अन्तःक्षेपण)

11.11.3 🌧️💰 Liquidity Trap (तरलता जाल) – refer to end section

- Refer to the end section of this handout.

11.12 📁💰 DEPOSIT TYPES



📅 Time Liabilities of a Bank (FDRD) समय / मीयादी देयताएँ	👉 Demand Liabilities of a Bank (CASA) मांग देयताएँ
- Fixed deposits, Cumulative/ recurring deposits, Staff security deposit etc. - Bank legally not required to pay customer before maturity. But bank may pay after deducting penalty/ interest. (वक्त से पहले पैसा निकाला तो दंड लगेगा)	- Current Account , Savings Account - Demand Draft - Overdue balance in Fixed Deposits - Unclaimed deposits. (What does it mean? Ans. Explained in Video Lecture.) - What is Nostro/Vostro? Refer Pillar3B.
Public parks more money here, because better returns / higher interest rates.	LESS (ऐसे बचत खातों पर ब्याज कम मिलता है इसलिए जनता कम मात्रा में पैसा रखती है यहाँ पर)



📅 Time Liabilities of a Bank (FDRD) समय / मीयादी देयताएँ	👉 Demand Liabilities of a Bank (CASA) मांग देयताएँ
LESS liquid.	More liquid bcoz easily convertible into cash

AB CD ? _____ is not included in the assets of a commercial bank in India? (Prelims-2019)

- (a) Advances (b) Deposits (c) Investments (d) Money at call and short notice

11.12.1 → → DEPOSITS ☒ Time Deposit ☒ Green Deposit (2023)

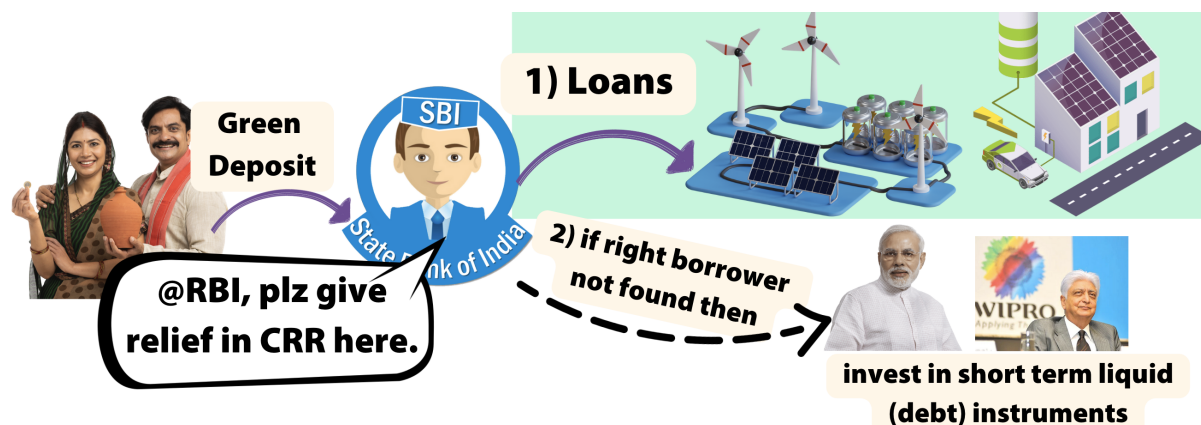
- 2023: RBI released guidelines. It is a Type of fixed deposit. This deposit money is loaned to green / environment related.
- Who can collect such deposits? banks, deposit-taking NBFCs (e.g. Bajaj Finserv), Housing Finance companies (e.g. Canfin Homes)

✅ Banker given give loans to	👉🚫 loans not allowed in
renewable energy, waste management, clean transportation, energy efficiency, and afforestation	fossil fuels, nuclear power^^, tobacco, etc business.

^^ 🚩👤 **FAQ why RBI forbidden it in nuclear power? Even nuclear power is clean energy!?** Ans.

RBI governor didn't bother to justify in press release so, Plz email your suggestions

to governor@rbi.org.in if you have a lot of free time.



- SBI launched Green FD with three tenures — (A) 1,111 days (B) 1,777 days (C) 2,222 days.
- If such bank/NBFC unable to find green-borrower in immediately (for giving long term loans) → then bank/NBFC can invest such green deposit money into liquid instruments with max. maturity upto 1 year e.g. T-Bill, Commercial Papers etc. (Ref Pillar1C for more.)
- If such bank/NBFC accepted green deposit but can't find green-borrowers, then RBI will not penalise bank/NBFC for it.
- These deposits are covered by Deposit Insurance and Credit Guarantee Corporation (DICGC). So even if the bank fails/shuts down → depositor will get upto ₹5 lakh refunded by DICGC. (Ref Pillar1B2 for more.)
- Green deposits must be issued/accepted in rupee currency only. (i.e. not in dollar/Euro etc.)
- It is not compulsory every Bank/NBFC to raise/accept green deposits. Unki marzi hai. (just like it is not compulsory for every automobile company to launch an E-Vehicle.)



🚩 FAQ: Do I've to remember all this? You added almost one page summary on Green

Deposits, and so now your handout will become even longer!? Do I have to remember this much?

Ans. Yes. Bcoz (A) This Green Deposit topic also relevant for the environment. (B) UPSC examiners new bad habit of asking microscopic facts of schemes. (C) I'm not pointing a gun over ur head to read it.

11.12.2 → Time Deposit → Fixed Deposit ☑ Bulk Deposits (₹3cr/>)

Definition given by RBI	before	After-2024
Bulk Deposit means a large sized fixed deposit of _ _ _	₹2 cr or higher	₹3 cr or higher

- Bankers may offer different interest rate on bulk deposit compared to normal fixed deposits.
- Whether interest will be higher or lower than the normal deposit depends on the banker's business situation. We will not Phd on this. (इसपे बैंकर सामान्य एफ़डी से कम/ज़्यादा ब्याज दे सकता है।)

11.12.3 Demand deposits → Savings account → Salary account

e.g. If Infosys has 5 lakh employees, Infosys will open their savings accounts in a bank & deposit the monthly salary inside it. Such accounts are called salary account. Further banking GK NOTIMP.

11.12.4 🏠 Deposits → Inoperative & unclaimed accounts

Inoperative Account	unclaimed deposits
If depositor not doing any transaction from his side for more than 2 years	(1) if savings/current account are not operated for 10 years (2) if fixed/term deposits not claimed within 10 years from date of maturity.
Over ₹ 1 lakh cr stuck here (2023 data)	Over ₹ 42,000 cr stuck here (2023-data)
Bank can't charge penalty on such customer if it is a savings account, then banker must continue paying interest on it.	same as left cell.

11.12.5 🐯: 🦋 UD GAM Portal: Unclaimed Bank Deposits (2023)



- If deposits remain unclaimed for 10 years in a bank → banker need to transfer it to “Depositor Education and Awareness FUND” (DEA) OF RBI.



- 2023: RBI setup UDGM portal for it.
- Beneficiary can easily search unclaimed deposits across multiple banks at one place. (e.g. by searching the Aadhaar card / PAN Card number of his/her dead parent etc.)

11.12.6 Full Reserve Banking vs. Fractional Reserve Banking

> इन शब्दों का हिंदी अनुवाद नहीं करेंगे क्योंकि इस प्रकार की थियरी पूछने का मुख्य परीक्षा में कोई रिवाज नहीं है.



	Full Reserve Banking	Fractional Reserve banking
can banker give money from DEMAND Deposits as LOANS? (e.g. current account, saving account) →	NO. And consequently, Banker may not pay saving interest to demand depositors.	YES, can give.
can banker give money from TIME Deposits as LOANS? (e.g. Fixed Deposits) →	YES, can give.	YES, can give
Bankers' vulnerability to sudden/panic withdrawals by clients (known as 'Bank Run')	LESS. Because demand deposits not given as loans.	MORE. Because both time and demand deposits are given as loans. So if Vijay Mallya fled the country → it will create more problems!
Banker's ability to help in Economic growth?	Less. Because banker giving less qty of loans.	More

- Note: India uses Fractional Reserve Banking system.

11.13 MEASURES OF MONEY SUPPLY (मुद्रा आपूर्ति के परिमाण)

- (Objective) To design a good nutrition scheme for India, the government will have to first find the weight of the citizens. Similarly, to make a good monetary policy, RBI will have to find the quantity of money in the system. (कुपोषण के खिलाफ अच्छी योजना बनाने से पहले सरकार ने लोगों का वज़न नापना होगा. उसी तरह देश के लिए अच्छी मौद्रिक नीति बनाने के लिए रिज़र्व बैंक ने सबसे पहले तो देश में पैसों का जत्था नापना होगा)
- (Definition) Money supply means the total amount of money in an economy at any given time. (दिए गए समय पर अर्थतंत्र में कुल मिलाकर कितना पैसा है उसकी माता या जत्ये को कहते हैं "मुद्रा आपूर्ति")



- (Significance) Money supply plays a crucial role in 1) price level (=inflation) and 2) interest rates on deposits & loans. (मुद्रा की आपूर्ति → महंगाई दर और ब्याज दरों पर असर करती है)
- (Types) RBI measures the money supply through indicators: M0, M1, M2, M3, M4

Table 1: *CU: Coins & Currency with Public

Measure संकुचित, व्यापक		*CU	Commercial Banks		Post Office Savings Bank		Liquidity तरलता	Qty मात्रा
			Demand Deposits (CASA)	Time Deposits (FDRD)	Demand Deposits (SA)	Time Deposits		
Narrow Money	M1	✓	✓	✗	✗	✗	♠♠♠♠	♠
	M2	✓	✓	✗	✓	✗	♠♠♠	♠♠
Broad Money	M3	✓	✓	✓	✗	✗	♠♠	♠♠♠
	M4	✓	✓	✓	✓	✓	♠	♠♠♠♠

Apply logic to derive formula e.g. $M3 = M1 + \text{Time deposits with banks}$.

- M3 is the most commonly used measure of money supply, also known as **Aggregate Monetary Resources / Aggregate Money Supply** (समस्त मौद्रिक संसाधन) because out of all the money supply indicators (M0-M4) this is the indicator RBI will focus the most for its analysis while designing of monetary policy. (अपनी मौद्रिक नीति बनाते वक्त, विश्लेषण के लिए रिज़र्व बैंक इस आंकड़े पर खास ध्यान रखती है)
- In above formulas for money supply, we are only counting the “**NET Demand / NET Time deposits**” i.e. only public’s deposits in bank. We are not counting inter-bank deposits i.e. one commercial bank’s deposit in other commercial banks. (एक बैंक से दूसरे बैंक में पैसा डिपॉजिट किया हो तो उसे इधर नहीं गिनते.)
- **M1 and M2 are called Narrow money.** Because of their smaller size (since they only cover demand deposits) M3 and M4 are called broad money, because of their relatively larger size than M1 and M2. since these terms are given in the NCERT so we have to prepare & accept. It is not some great thing worthy of mains exam that we have to spend more time than that 1 word association.
- 🚩🧐 **FAQ: What is Hard Money vs Soft Money?** wait till we reach Pillar3B currency exchange.
- 🚩🧐 **FAQ: As per NCERT class12: “ $M4 = M3 + \text{Total deposits with Post Office savings organisations (excluding National Savings Certificates)}$ ”. So why you revision table doesn’t talk about National Savings Certificates.** ✓ Ans. This much pedantry I find it less imp for exam so don’t want to overcomplicate my revision friendly table.
- 🚩🧐 **FAQ1: Why M3 is Aggregate Money Supply?** ✓ Ans. Watch video.
- 🚩🧐 **FAQ2: Why is the liquidity of M4 less than M3?** ✓ Ans. Watch video.
- 🚩🧐 **FAQ3: What is Narrow Money and Broad Money?** ✓ Ans. Watch video.

AB CD ? MCQ. If you withdraw Rs. 1 lakh in cash from your Demand Deposit Account at your bank, the immediate effect on aggregate money supply in the economy will be ___. (Pre-2020)



- [a] to reduce it by ₹ 1,00,000 [b] to increase it by ₹ 1,00,000
[c] to increase it by more than ₹ 1,00,000 [d] to leave it unchanged

🚩🧐 FAQ: I've 500 jaat-ke doubts in above MCQ ✅ Ans. Watch lectures.

ABCD ? MCQ. Which of the following are included in Narrow Money? (CDS-2023-II)

1. Currency with the public 2. Demand deposits
3. 'Other' deposits with Reserve Bank of India 4. Banker's deposits with Reserve Bank of India

Codes: (a) 1, 2 and 4 (b) 1 and 2 only (c) 1, 2 and 3 (d) 3 and 4 only

11.13.1 🕒 Call Money | Notice Money | Term Money

These terms are used when bank/Non-Banking Financial Companies (NBFC) lend/borrow money among themselves for short term (i.e. less than 1 year)

word	Duration of LOAN
Call Money	borrowed for one day (=This duration also called "overnight".)
Notice Money	2 days to 14 days
Term Money	Exceeding 14 days but less than 1 year

👉 DONOT mix above words with broad money / narrow money / M1/M2/M3/M4 etc.

11.14 🧨💡🚢 MONEY MULTIPLIER (मुद्रा गुणक)

- Money Multiplier (MM) refers to the amount of M3 a bank generates with each rupee of M0 available to them.
- MM depicts the relationship between the monetary base (M0) and the economy's money supply (M3), indicating how fast the money supply will grow from the bank's lending activity.
- Higher the value of the MM, the higher the liquidity in the market and vice versa.
- RBI's Cash Reserve Ratio (CRR) controls the **Fractional Reserve Banking & Credit Creation** by the commercial banks, in the following manner:

Table 2: this process is called 'Fractional Reserve Banking & Credit Creation'

High Powered money (M0) = 100	Deposits	Loaning	10% Reserve ('R')
Bank#1	100	90	10
Bank#2	90	81	9
Bank#3	81	72.9	8.1
Bank#..	..	..	..
Total Money (here M3)	Total sum = ₹1000		

$$\text{Money Multiplier} = \frac{\text{Stock of Total Money (M3)}}{\text{Stock of High Powered money (M0)}} = \frac{1000}{100} = 10$$

- In above example, 10% CRR (CRR) generated 10x times of M0 money. [बैंक कर्ज देने से पहले यदि 10% रकम आरक्षित रखती है तो 10 गुना ज्यादा पैसों का निर्माण]
- 4% reserve ratio will generate $[1/(1/25)] = 25x$ times (in theory). See formula below:



$$CRR 4\% = \frac{4}{100} = \frac{1}{25}$$

$$\text{money multiplier effect} = \frac{1}{(CRR)} = \frac{1}{(4\%)} = \frac{1}{(\frac{1}{25})} = 25 \text{ times}$$

- If CRR is 4% then MM should be 25x theoretically. 🙌 however in reality the multiplier may be lower than 25x, due to poor banking penetration. (गांव गांव तक बैंक की सुविधा नहीं है इसलिए वास्तविक जीवन में इतना मुद्रा गुणक नहीं होगा)
- In a functional economy, money multiplier (MM) is always greater than 1 & CRR will always be less than 100%. **WHY? Ans. Watch video.**
- MM directly improves with ↓ reduction in CRR. (सीआरआर घटेगा तो मुद्रा गुणक बढ़ेगा)
- MM indirectly improves as economy develops, consumption / loan demand increases, banking penetration, digital economy, less-cash economy etc.
- MM improves with the ↑ in banking penetration, financial inclusion (वित्तीय समावेशन)
- Boom period, Whenever loan demand ↑ (तेजी का माहौल → लोन ज्यादा लिए जा रहे हो)
- When RBI adopts Cheap / Easy / Dovish / Expansionary monetary policy to combat deflation. (जब सस्तापे/ अपस्फीति से लड़ने के लिए रिज़र्व बैंक लोन के ब्याज दर सस्ते कर दे)
- In 1960s = less than 2x, 90s = more than 3x, At present = more than 5x.

👤 **FAQ: What will be the impact of SLR changes on Money Multiplier?** Ans. Can't be written mathematically. Reason given in Video.

when CRR: 100%

$$\text{money multiplier effect} = \frac{1}{(CRR)} = \frac{1}{(100\%)} = \frac{1}{(1)} = 1x$$

100% CRR means i can't give loans to anyone from deposits!

लोan ही नहीं मिलेंगे तो फिर मैं क्या करूँ, मर जाऊँ? (non-functional) हो जाऊँ?

Sanjay Malhotra
RBI IAS

- no no. CRR should not be 100%
- let's keep CRR <100% e.g. 4%
- then money multiplier will be greater than >1 in a functional economy

Indian Economy

when CRR: 4%

$$\text{money multiplier effect} = \frac{1}{(CRR)} = \frac{1}{(4\%)} = \frac{1}{(\frac{1}{25})} = 25x$$

CRR 4% < 100% (is less than)

Multiplier 25 means > 1 (greater than)

LOAN APPLICATION REJECTED

LOAN APPROVED

11.14.1 🚢 Money Multiplier (MM)- similarities with boat-speed to prevent confusion



Speed = $\frac{\text{Distance}}{\text{Time}}$	 Money Multiplier = $\frac{M3}{M0}$
wind can increase/decrease boat speed 	CRR can increase/decrease Money Multiplier (MM)  RBI
Speed of boat also affected by 1. Weight of Cargo 2. size of the sail-cloth	MM also affected by 1. Income & saving of public 2. Banking penetration / financial inclusion 3. Deposit-Loan activity etc

11.14.2 🍷🍷 CRR & Cash are 'leakages' to money multiplier says 📖 ES25



The money multiplier (MM) = how much money a banking system can generate from each unit of central bank money (M_0). MM mainly depends on two factors:

Factor	Implication
1. Cash Holdings	More cash held by individuals = money leaked from bank deposits = MM $\Downarrow \Downarrow$
2. CRR (Cash Reserve Ratio)	Higher CRR = banks hold more reserves with the RBI $\rightarrow$ MM $\Downarrow \Downarrow$. Thus, CRR also acts as a leakage.

11.14.3 💰⚡ Money Multiplier From 1981 to 2020

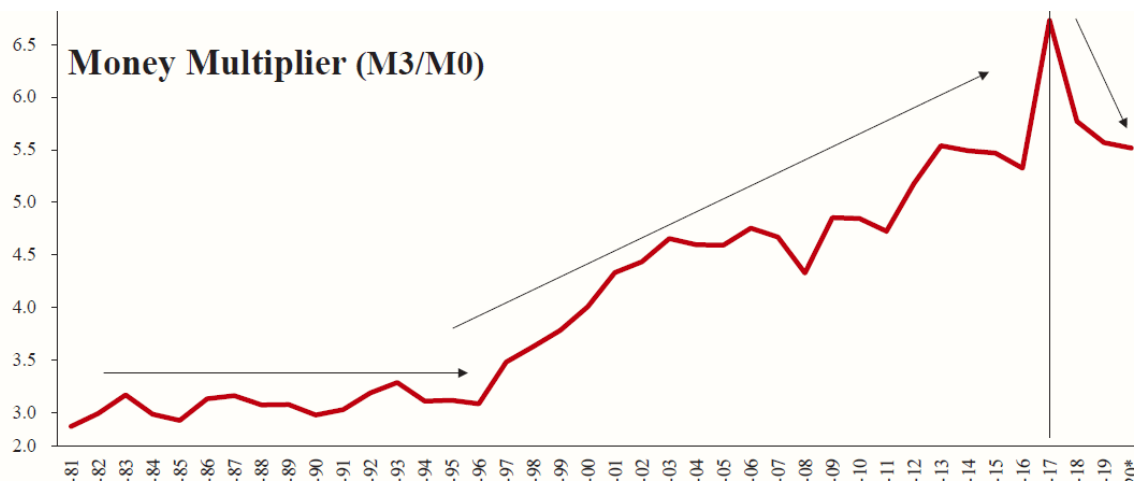
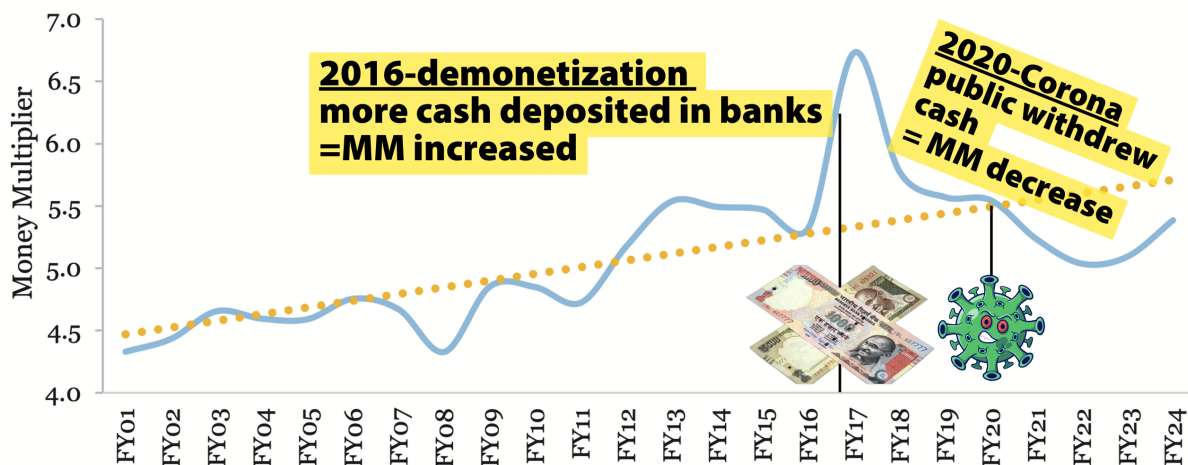


Figure 1: source- Economic Survey 2020, zigzag pattern means 'it is not increasing steadily'.



- between mid-1990's to 2016-17: Money multiplier (measured as a ratio of M_3/M_0) was mostly increasing ↑ due to LPG reforms & increased banking penetration.

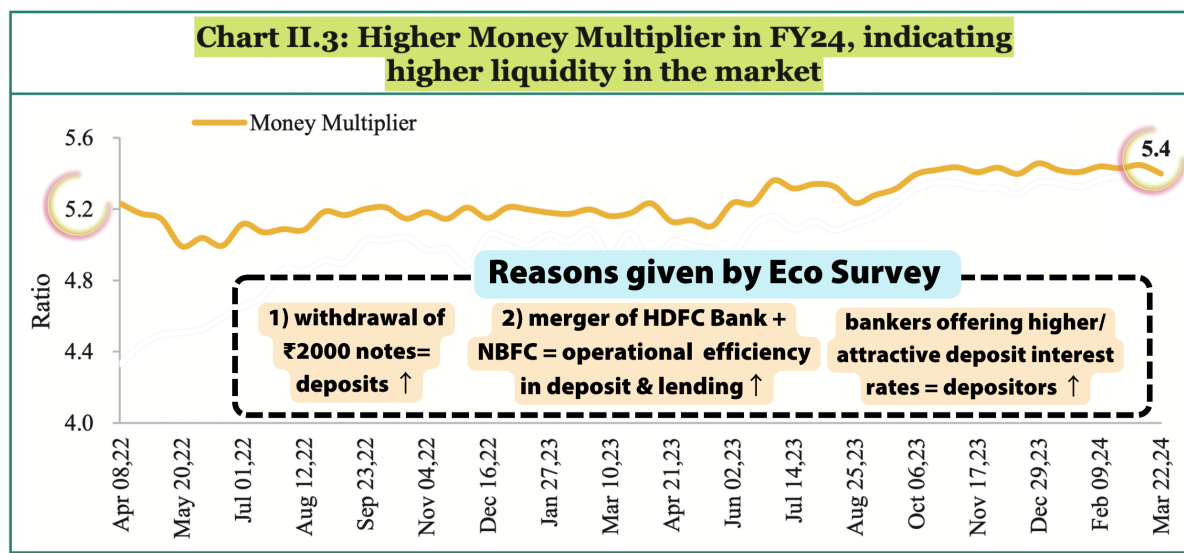
11.14.4 ⚡ Money Multiplier From 2001 to 2024 (as per ES25)



MCQ. What would be the impact on the economy if people start holding more currency in hand and less in deposits? (CDS-2023-II)

- (a) Money demand will increase (b) Money multiplier will decrease
(c) Money multiplier will increase (d) Money demand will decrease

11.14.5 ⚡ MM in 2023: factors increasing liquidity / money multiplier as per ES24



How can ₹2000 note withdrawal, increase Money multiplier? Ans. Refer to section CRR → liquidity overhang / i-CRR topic in the full length course. Basically, people deposited 2000 note but didn't withdraw exchanged notes (e.g. ₹500x4 notes). They kept money in their bank balance. So the amount of deposits increased → MM will increase.

AB CD ? MCQ. Money Multiplier in an economy increases with __ __? (UPSC-Prelims-2019)

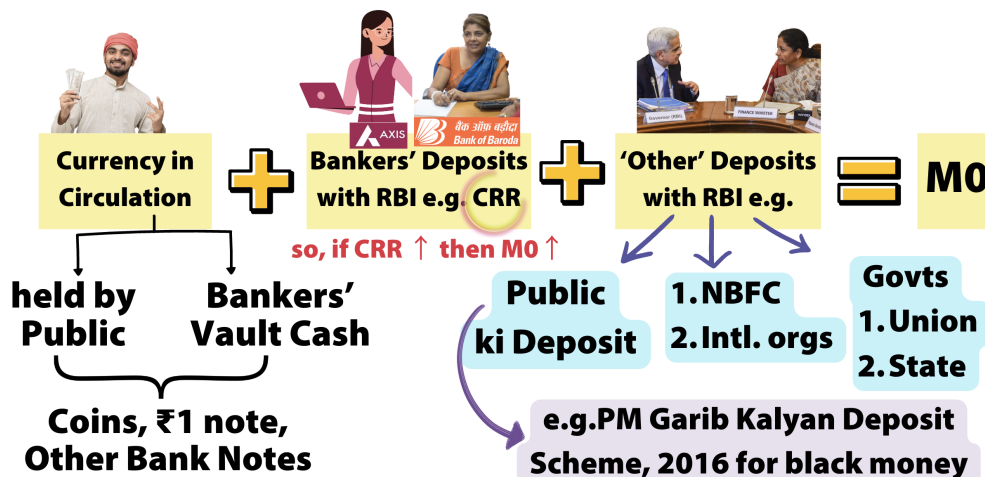
- A) Increase in the cash reserve ratio B) Increase in the banking habit of the population



C) Increase in the SLR D) Increase in the population of the country

Same above MCQ also repeated in Prelims 2021

11.15 M0: FORMULA (ALSO CALLED RESERVE MONEY / HIGH POWERED MONEY)



- M0 measures the total amount of paper money and coins in circulation, plus the reserves (deposits) of central bank (=RBI).
- It is called M0 / Reserve Money / Monetary base / Govt Money / High Powered Money.
- Different books give different answer. Basically it boils down to image given above.
- "Vault cash" = cash kept by bankers with themselves, for day to day operations.

11.15.1 If CRR ↑ then M0 ↑ says Eco Survey

How? Ans. Refer to above image and read the **red fonts**.

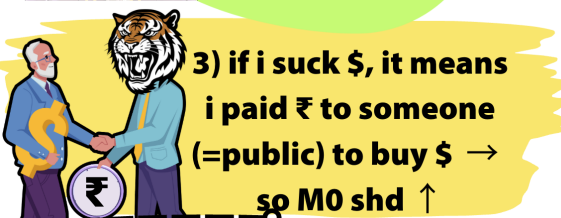
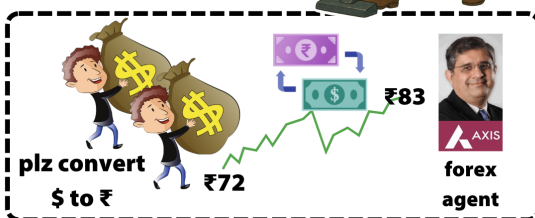
1. I've to suck (=buy) extra \$

from here to keep
exchange rate stable.

2. Such dollars will go in my
Net Foreign Assets (NFA)
in my forex reserve.



4) so if
NFA ↑ then M0 shd ↑
समझे गये! नहीं समझे
then finish pillar#3
if not understood





11.15.2 🗂️💻 If net foreign assets (NFA) ↑ then M_0 ↑ says Eco Survey

Ans. Explained in previous chart. It requires prior understanding of the currency exchange topic from pillar#3. So **revisit following chart after finishing pillar#3.**

11.15.3 (Clarification) Formula for Money-supply M_0 - M_4 not matching with CDS Exam

- M_0 to M_4 formula in NCERT are different than real life formulas in RBI website/Eco Survey.
- In the past, 1 formula MCQ in CDS- its answer-keys not matching with NCERT, because nobody filed a complain to UPSC after the exam was over within seven days. at this link <https://upsconline.nic.in/miscellaneous/QPRep/>
- if CDS-candidates had filed complain, then probably UPSC may have cancelled the MCQ.
- Note: I'm not giving that controversial MCQ here, to prevent unnecessary mental stress.

Formulas from Economic Survey 2024 (**IGNORE THIS. REMEMBER NCERT formulas**)

(1) **Components of Broad Money**=Currency with the Public + Aggregate Deposits (Demand Deposits with Banks + Time Deposits with banks + 'Other' deposits with Reserve Bank)

(2) **Sources of Broad Money**=Net Bank Credit to Government + Bank Credit to Commercial Sector + Net Foreign Exchange Assets of Banking Sector + Government's Currency Liabilities to the Public-Banking Sector's Net Non-Monetary Liabilities)

NCERT formulas	RBI & Economic Survey formulas
$M_1 = CU + DD$ $M_2 = M_1 + \text{Savings deposits with Post Office savings banks}$ $M_3 = M_1 + \text{Net time deposits of commercial banks}$ $M_4 = M_3 + \text{Total deposits with Post Office savings organisations (excluding National Savings Certificates)}$ where, CU is currency (notes plus coins) held by the public and DD is net demand deposits held by commercial banks. The word 'net' implies	RBI official formula (IGNORE THIS. and REMEMBER NCERT) $\text{Reserve Money} = \text{Currency in circulation} + \text{Bankers' deposits with the RBI} + \text{'Other' deposits with the RBI}$ $= \text{Net RBI credit to the Government} + \text{RBI credit to the commercial sector} + \text{RBI's claims on banks} + \text{RBI's net foreign assets} + \text{Government's currency liabilities to the public} - \text{RBI's net non-monetary liabilities}$ $M_1 = \text{Currency with the public} + \text{Demand deposits with the banking system} + \text{'Other' deposits with the RBI.}$ $M_2 = M_1 + \text{Savings deposits of post office savings banks}$ $M_3 = M_1 + \text{Time deposits with the banking system}$ $= \text{Net bank credit to the Government} + \text{Bank credit to the commercial sector} + \text{Net foreign exchange assets of the banking sector} + \text{Government's currency liabilities to the public} - \text{Net non-monetary liabilities of the banking sector}$ $M_4 = M_3 + \text{All deposits with post office savings banks (excluding National Savings Certificates).}$

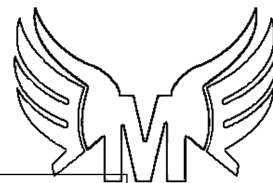
NCERT Textbook page 38–39

Ref: <https://ncert.nic.in/ncerts/l/leec103.pdf>

My handout contains NCERT formulas.

I see no benefit in explaining / memorizing the RBI/Eco Survey's official technical formula- from exam point of view. You'll be overwhelmed and struggle to memorize them anyways. better skip it, and use brain memory for other topics.

If you see some time-pass private mock test-wala making MCQs out of these official RBI/Eco Survey formulas, then you should ignore such MCQs, for your own mental peace.



11.16 🏠💰 M0: CREATION OF MONEY (मुद्रा का निर्माण)

Watch Video lecture before reading further. ELSE u'll have too many doubts.

is issued under RBI Act, by RBI's ISSUE DEPARTMENT, with condition that ISSUE DEPARTMENT's assets must match its liabilities. (आरबीआई केवल उतना ही पैसा छाप सकता है जितनी परिसंपत्तियां उसके इश्यू-विभाग के पास हों)

Assets of Issue Department (परिसंपत्तियाँ)	Liabilities of Issue Department [M0]
1. Rupee coins [RBI 'buys' coins & ₹1 notes from Govt and circulates it as the 'Agent of govt'] 2. Gold coins [Min. ₹ 200 crores] सोने के सिक्के 3. Gold bullion [Min. ₹ 115 crores] सोने की ईंटें 4. Foreign Securities, incl. IMF [Earlier Minimum ₹ 400 crores but Post-1995 no such requirement.] 5. (Indian) Govt. Securities [through which Govt borrows money & returns Principal + Interest at later date] सरकारी प्रतिभूतियां	Total Bank notes in circulation, which consists of: 1. Currency in circulation (i) Held by Public (ii) Held by other Banks in "Vault cash" (i.e. amount kept by bankers for day to day Operations.) 2. Bankers' Deposits with RBI (e.g. CRR) 3. Other deposits with RBI (of Public*, NBFCs, & Govts, Intl.org)
Total = suppose 100 Cr @ "X" date	Total = 100 Cr @ "X" date.

- * such as PM Garib Kalyan Yojana (2016) under which Blackmoney holder was required to deposit 25% of his blackmoney in RBI for a lock-in period of 4 years. More in Pillar#2B
- M0 ↑ increases when RBI's asset side increases ↑ . (जब सरकार रिज़र्व बैंक से ज्यादा पैसा कर्जे में ले तब रिज़र्व बैंक की परिसंपत्तियों में बढ़ोतरी होती है)

11.16.1 🧑🏻💬 FAQ on Rs.1 paper-note

🧑🏻💬 FAQ: Whose responsibility is it to exchange the public's torn / soiled ₹ 1 note ?

Ans. RBI will do it as the agent of the Govt.

🧑🏻💬 FAQ: Whose responsibility is it to exchange broken coins?

Ans. First of all it is difficult to break a coin unless with a metal cutter. And secondly I'd not loose sleep over such JAMES-Bond-Babu-Shona Qs. for UPSC exam point of view. Common-sense suggests that if RBI is exchanging torn ₹1 Note, then RBI would be exchanges coins as well.

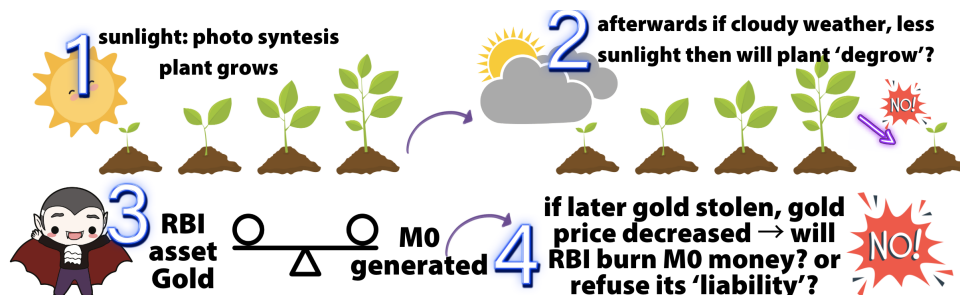
🧑🏻💬 FAQ: All coins and ₹1 paper-note is whose liability ? RBI or Govt

- ⇒ All coins and ₹1 paper-note are issued by Government. (Ref: Pillar1A1 Handout)
- ⇒ RBI circulate them as "agent of the government".
- ⇒ However these items are liability of government. As per RBI Website.
- ⇒ So, All coins & ₹1 paper-note are liability of Govt.



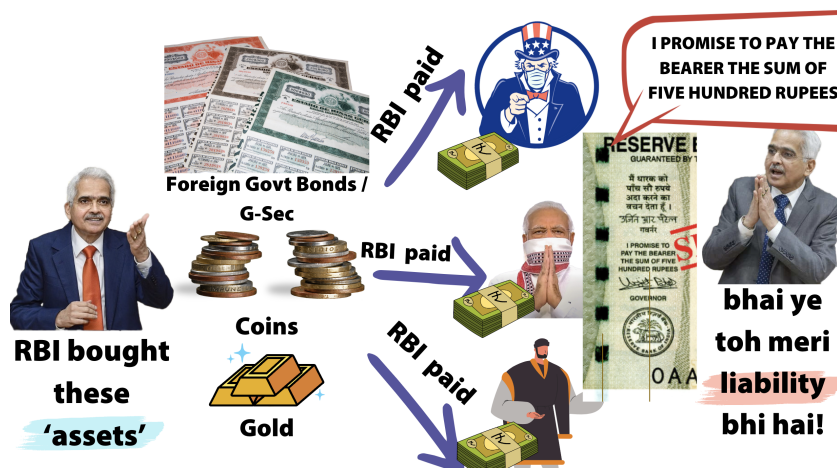
- ⇒ However, some books interpret that since 1) RBI is circulating them 2) RBI is responsible for getting torn ₹1 rupee notes exchanged, so it is RBI's liability.
- ⇒ If in Doubt for MCQ → then tick “Govt.” as Answer.

11.16.2 🧛 FAQ on gold price / gold theft vs RBI liabilities and asset mismatch



This is how 🧛 vampire babushone drink teacher's blood and yet **FAIL in prelims**. you must avoid this mentality. Move to next topic. what is the point of obsessing over a single topic like this?

11.16.3 FAQ: How can same thing become Asset and liability ? (WATCH VIDEO)



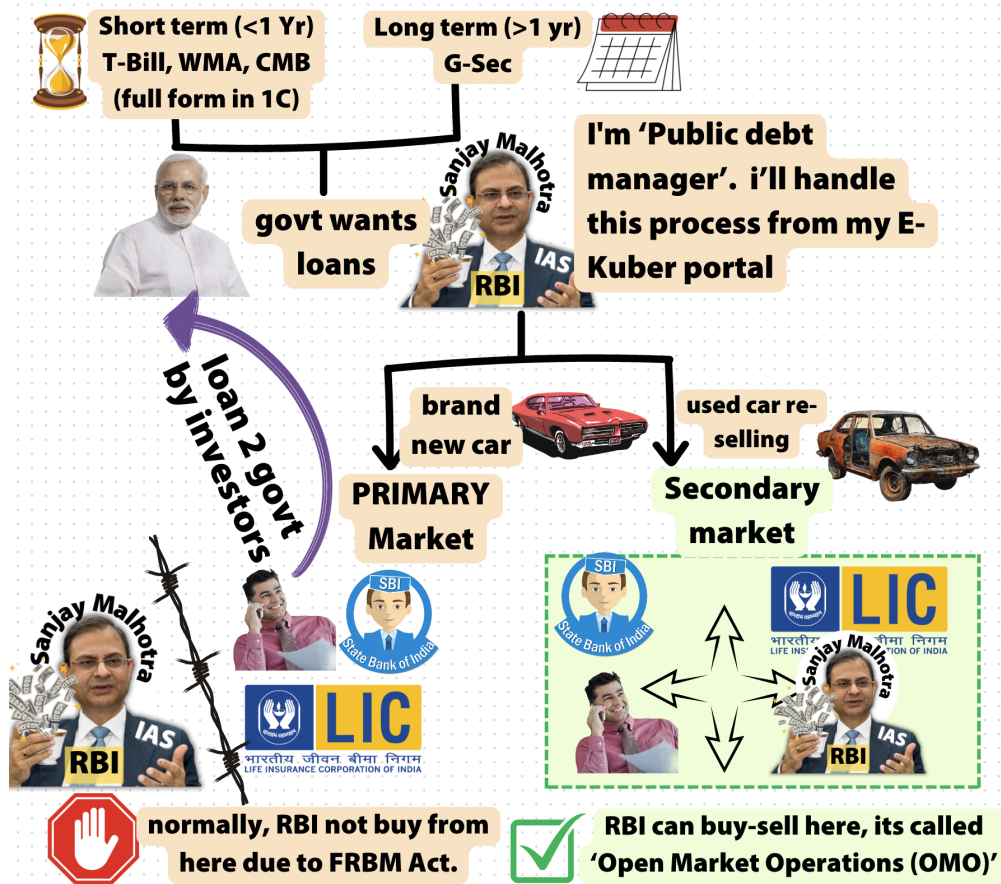
11.17 🖨️ MONEY SUPPLY & FRBM ACT

FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT ACT 2003 (राजकोषीय उत्तरदायित्व और बजट प्रबंधन कानून) Notable provisions:

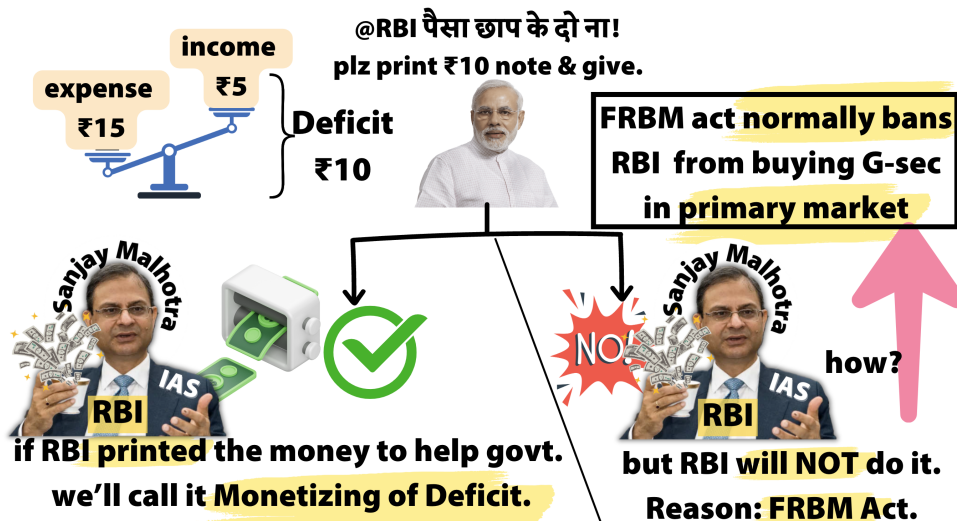
- Government has to control its fiscal deficit within X% of GDP. (Ref: Pillar#2D) (सरकार ने अपने चाटे को GDP के कुछ प्रतिशत से ज़्यादा नहीं बढ़ने देना होगा.)
- Government CANNOT borrow from RBI. (In other words, RBI cannot buy government's loan instruments for itself from primary market) **Except in TWO situations:**
 - i) Short term Ways and Means Advances (WMA) (Ref: Pillar#1C)
 - ii) During war, disaster, agri-crisis, big fall in GDP. (Ref: Pillar#2D)
- RBI can buy/sell government's loan instruments from secondary market (i.e. from other investors in OMO/ Open market operations.) (रिज़र्व बैंक आमतौर पे प्राथमिक बाज़ार से सरकार के लोन कर्ज़ उपकरण नहीं ख़रीद सकती है, किंतु द्वितीयक बाज़ार ले रिज़र्व बैंक उसकी ख़रीद बिक्री कर सकती है.)



FAQ: didn't understand this. Ans. Complete 1A2 pillar ke 5 lectures, Pillar1C AND pillar2D.



11.17.1 Monetisation of deficit (घाटे का मुद्रीकरण)



- It means RBI printing more currency notes to give as loans to Government. (जब सरकार को उधार देने के लिए रिजर्व बैंक नया पैसा छापती है)
- However, this process is difficult/ not easy due to FRBM Act conditions learned above. (हालाँकि FRBM क़ानून के चलते ये इतना आसान नहीं है अब.)



11.17.2 🧑🏻 faaltu ke FAQ on Govt's borrowing & money printing

🧑🏻 FAQ: Can Govt borrow as much ₹ as they want via G-Sec? ✅ Ans. No! There are legal limits on govt borrowing under the Fiscal Responsibility And Budget Management act (FRBM). (More in Pillar#2D) (सरकार अंधाधुंध तरीके से उधारी नहीं कर सकती FRBM कानून के अंतर्गत उस पर कुछ सीमाएं हैं.)

🧑🏻 FAQ: RBI's money supply is limited by above Asset-liability balance method. But what if govt issues large number of coins and one rupee notes before election to keep voters happy? Will it not create problems in the M0 & economy? ✅ Ans. Too much money supply without enough goods-supply → inflation. So, a sensible govt will not do such drama. Beyond that I've no interest in engaging in further PHD-intellectual debates. Not important for exam. Move to next topic.

🧑🏻 FAQ: How did RBI print money in British times? Ans. ✅ Watch the lecture videos

🧑🏻 FAQ: Where is the repo, where is the RBI's profit in above table? Ans. ✅ Watch the videos

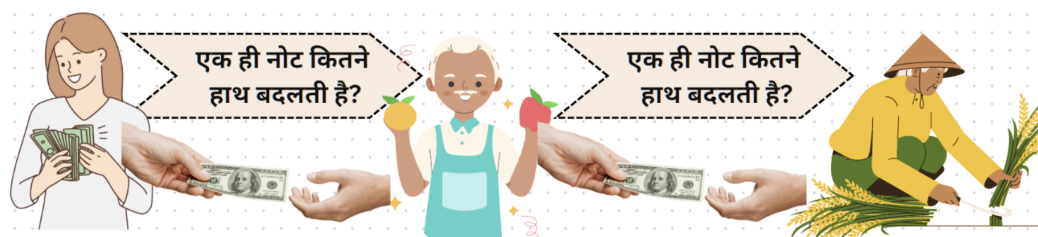
🧑🏻 FAQ: If RBI's gold/G-sec gets stolen/burned/lost then will M0 decrease? ✅ Watch the videos

🧑🏻 FAQ: I've 500 jaat-ke other doubts. Ans. ✅ then u keep wasting time on Google/ChatGPT.

11.17.3 ⚡ : Currency in Circulation (CIC)

- What is CIC's exact formula? Ans. Economic Survey didn't give, Google giving vague ans.
- CIC is an indicator to measure cash as a payment instrument i.e. instead of other payment instruments such as Cheque, NEFT/RTGS, Card etc. (भुगतान के लिए नक़दी का कितना प्रयोग हो रहा है)
- 2021: Currency in Circulation (CIC) growth (%) declined from Reason: Corona-led precautionary demand for cash has reduced/subsided → People are keeping less qty of cash in hand, and depositing more qty in Banks. (लोगों में कोरोना का खौफ़ कम हुआ है इसलिए जनता अब एहतियादी रूप में हाथ में नक़दी कम मात्रा में रखती है।)
- 2022: Russia-Ukraine war → temporary increase in 📈 precautionary cash holdings → Currency in Circulation (CIC) increased. (रूस यूक्रेन के युद्ध के चलते एहतियाद/सावधानी के लिए लोगों ने हाथ में नगदी /रोकड़ा रखना ज्यादा मुनासिब/उचित समझा।)

11.17.4 💰 Misc. topic: Velocity of Money Circulation (मुद्रा संचालन का वेग)

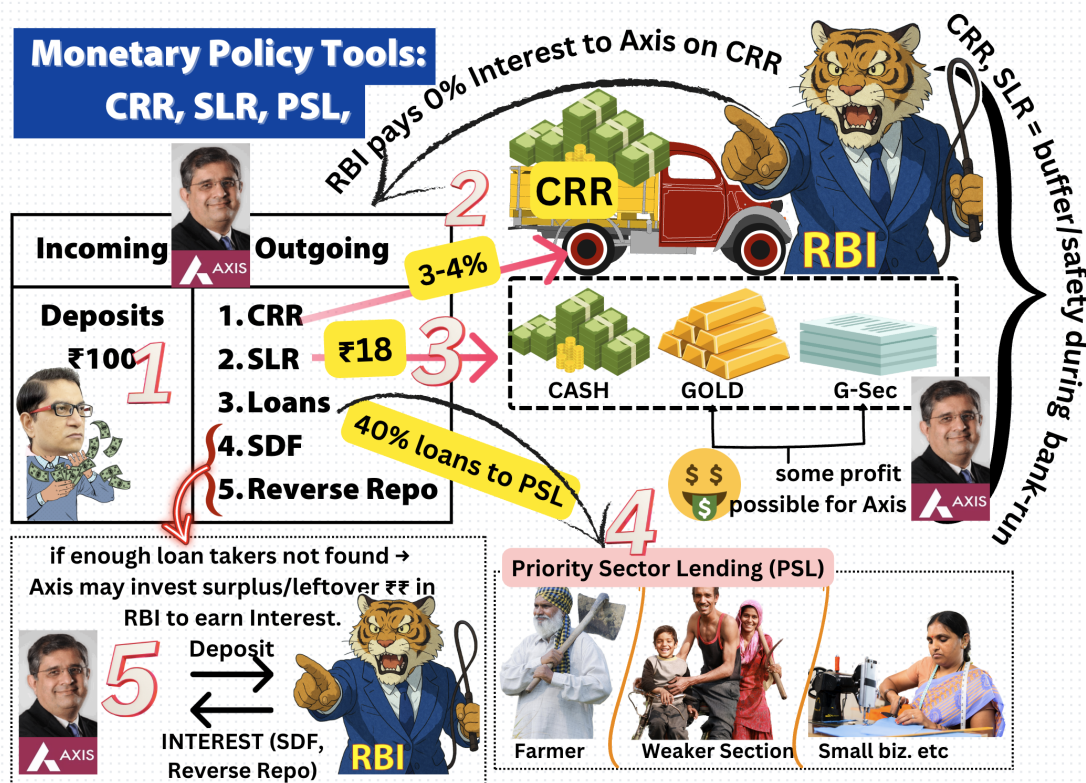


It is the average number of times money passes from one hand to another, during given time period. e.g. you bought pen worth Rs.10 from shopkeeper, he uses same ₹10 note to buy tea from another shop → same currency note performed function of Rs.20. कितनी बार एक नोट एक हाथ से दूसरे हाथ में जाता है? This "Velocity of money circulation" is affected by following factors:



- **Income distribution:** Money in the hands of poor people has higher velocity than the rich people. Why/HOW? Ans. Watch Video.
- If more people borrow money → higher velocity. Hence developed countries => higher velocity, because people save less and spend more because of consumerist lifestyle and confidence in Government's social-security/pension system e.g. USA. (जब लोगों में बचत की भावना कम हो)
- Boom period in economy = more raw material purchase & hiring = higher velocity. (तेजी का माहौल)

12 🐯📢 MONETARY POLICY (मौद्रिक नीति)



- **[Definition]** Monetary Policy is a macroeconomic policy (समष्टि आर्थिक नीति), designed by Central bank of a country, to manage money supply & interest rates. It helps shaping variables such as inflation, consumption, savings, investment, & capital formation (मुद्राआपूर्ति व ब्याजदरो को नियंत्रित कर मुद्रास्फीति/मंहगाई, मांग/खपत, बचत, निवेश, पूंजी निर्माण को आकार देना- केंद्रीय बैंक द्वारा बनाई गई इस प्रकार की नीति को मौद्रिक नीति कहते हैं).
- **[Significance]** Monetary policy plays an important role in price stability [inflation control], economic growth, job creation and social justice in any economy. (मंहगाई-नियंत्रण, आर्थिक वृद्धि, रोजगार सृजन, सामाजिक न्याय के लिए महत्वपूर्ण साधन है ये मौद्रिक नीति)
- **Milton Friedman:** This American economist's research on monetary policy made this subject more popular, he also won a Nobel in Economics in this regard (1976).
- **Philip Curve:** Inflation ↑ = unemployment ↓ (and vice versa). मंहगाई बढ़ेगी तो बेरोजगारी घटेगी. मंहगाई कम होगी तो बेरोजगारी बढ़ेगी. (More in Pillar#4C)
- So, stable & moderate inflation is good for the economy. (स्थिर व मध्यमस्तर मंहगाई अर्थतंत्र के लिए अच्छी)

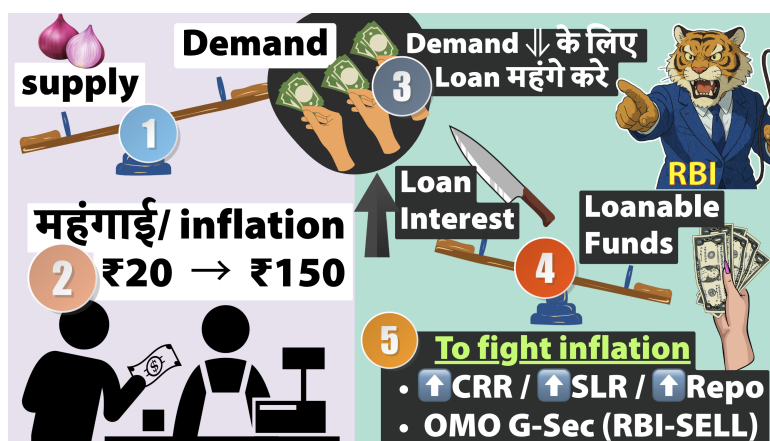


So, RBI tries to keep inflation with 2-6% Consumer Price Index (CPI: All India) using its bi-monthly monetary policy made by its 6- member statutory Monetary Policy Committee. (छ:- सदस्यवाली वैधानिक समिति द्वारा द्वि-मासिक मौद्रिक नीति निर्माण करके रिजर्व बैंक महंगाई दर को उपभोक्ता मूल्य सूचकांक के हिसाब से २-६% में नियंत्रित करने की कोशिश करता है)

12.11 🐯🔊 MONPOLICY: QUANTITATIVE TOOLS (परिमाणात्मक साधन)

- Also known as (aka) **General or Indirect Tools** as they affect the entire economy, and not just a particular sector. (ये साधन / हथियार / उपकरण सामान्य या अप्रत्यक्ष हैं क्योंकि यह किसी एक क्षेत्र-विशेष को नहीं, किंतु पूरी अर्थव्यवस्था को असर करते हैं)

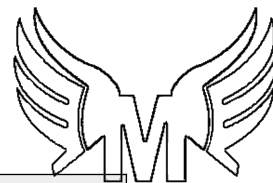
- Notable examples: CRR, SLR, Repo, OMO etc.



12.11.1 📊✂️ Statutory Reserve Requirements: CRR, SLR (Fight inflation: ↑, deflation: ↓)

- CRR and SLR are collectively known as **“Variable Reserve Ratios”** or **“Statutory Reserve Ratios”** (इन दोनों को परिवर्तनीय आरक्षित अनुपात / वैधानिक आरक्षित अनुपात भी कहा जाता है)

CRR	SLR
Full form: Cash Reserve Ratio (नकद कोष अनुपात)	Full form: Statutory Liquidity Ratio (वैधानिक तरलता अनुपात)
Banks must keep this much deposits (or balance) with RBI. RBI doesn't pay interest on this deposit, except in extraordinary circumstances like 1999's Banking slowdown. (बैंक ने जमाकर्ताओं से हांसील की हुई रकम का कुछ हिस्सा रिजर्व बैंक में जमा करना पड़ेगा।)	Banks must keep this much deposits in liquid assets such as cash, gold, G-Sec, T-Bills, State Development Loan Bonds and other securities notified by RBI. (बैंक ने जमाकर्ताओं से हांसील की हुई रकम का कुछ हिस्सा, रिजर्व बैंक द्वारा मान्य तरल परिसंपत्ति में निवेश करना होगा)
Bank earns no profit / interest, as such.	Some profit may be involved. (मुनाफा हो सकता है)
- CRR: first suggested by British economist J.M. Keynes & first introduced in US Federal Reserves (=Central Bank of USA). - Mandated under RBI Act, 1934	Mandated under Banking Regulation Act, 1949 (बैंकिंग विनियमन अधिनियम के अनुसार इसे लागू किया जाता है)
⇒ RBI can fix any amount of CRR. Legally there is no minimum or maximum limit.	⇒ Presently it is 18.00% of NDTL. ⇒ Legally, SLR can't be made more than 40%.

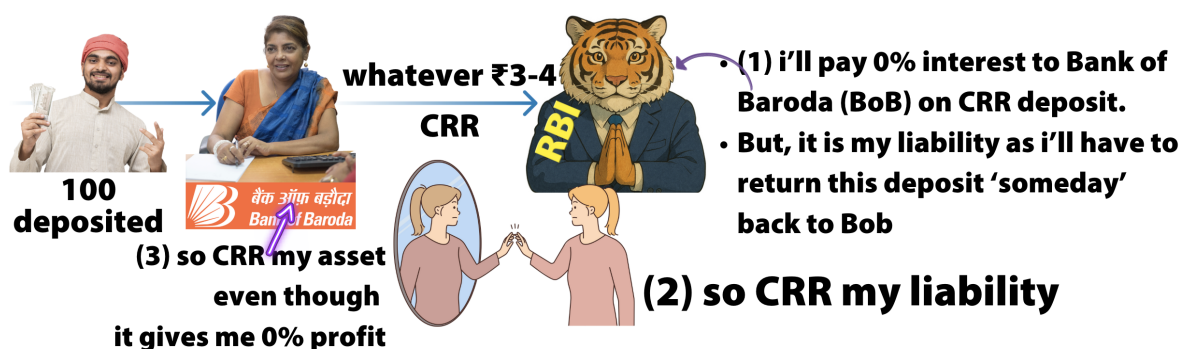


CRR	SLR
Although in real life, RBI will not keep CRR@100% otherwise, no bank can give loans then economy will stop functioning. ⇒ Presently it is 4.50% of Net Demand & Time Liabilities of a bank (NDTL)	(कानूनन रूप से रिज़र्व बैंक इसे 40% से ज्यादा नहीं रख सकती.)
- All Banks must keep CRR. - However, RBI may prescribe separate % norms/slabs for Regional Rural Banks (RRBs) and Cooperative Banks. - More in Pillar1B1: classification	Similar to left cell of this table. (सभी प्रकार के बैंक के लिए अनिवार्य. हालांकि क्षेत्रीय ग्रामीण बैंक तथा सहकारी बैंको के लिए इसकी प्रतिशत मात्रा रिज़र्व बैंक, अन्य बैंको की तुलना में थोड़ी भिन्न रख सकती है)

👉🧐👉 Difference between NDTL, ODTL, Total DTL? = NOT IMP4IAS. If you want to satisfy your curiosity, do google search yourself but I don't think it as best use of time.

- CRR-SLR are counted on fortnightly basis. If not maintained, bank will have to pay penalty interest rate to RBI. This Penalty rate is linked with **Bank Rate%**. (हर 15 दिनों के लिए गिना जाता है. यदि बैंक ने नहीं माना तो जुर्माना लगेगा.)
- CRR-SLR ensure monetary stability of India through **two primary functions**:
 - 1) CRR assists in money multiplier effect. (HOW? Watch lecture video.)
 - 2) CRR-SLR provide buffer/protection during a **Bank Run** (बैंकों में से जमाराशि वापस लेने की दौड़) i.e. an emergency when every depositor wants to pull out money from his bank account at once, mainly due to fake news / rumours sometimes due to war e.g. in Russia-Ukraine
- Theoretically, CRR/SLR can be used for inflation control. But RBI primarily relies on REPO Rate (=its Policy Rate) to combat inflation, and not CRR/SLR. (हालांकि, सीआरआर और एसएलआर महंगाई नियंत्रण के मुख्य साधन नहीं है. रिज़र्व बैंक महंगाई से लड़ने के लिए मुख्यता रेपो रेट का इस्तेमाल करती है)

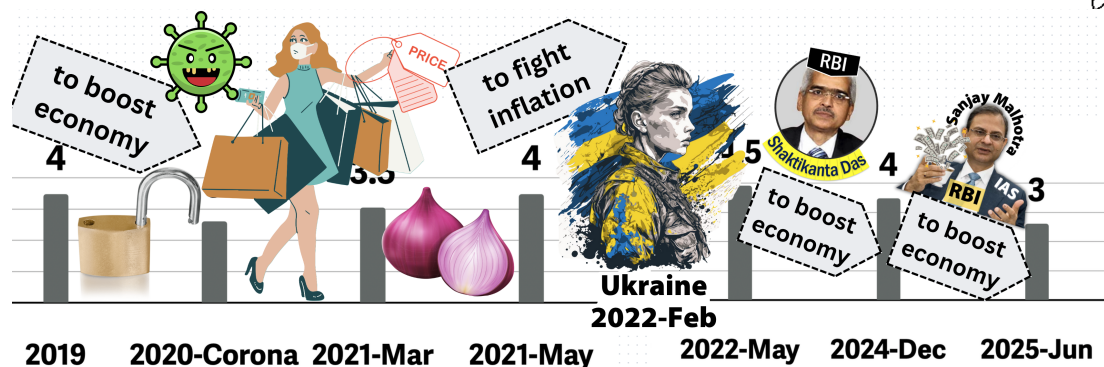
12.11.2 🐯🧐 FAQ: How can CRR be an asset for a banker? If RBI pays 0% Interest on it!!?



12.11.3 🐯🧐 FAQ: What will be the impact of SLR changes on Money Multiplier?

Ans. Can't be written mathematically. Reason given in Video.

12.12 🐯📁✂️📅 CRR, SLR: DEVELOPMENT IN RECENT YEARS



12.12.1 ✂ CRR cut from 4% to 3% (2025-June)

CRR ↓ from 4% to 3% but it will be done in 4 instalments cutting 0.25% each time till November 2025. Thus, by 2025-Dec, bankers will have extra ₹2.5 lakh crore loanable funds.

12.12.2 🏠🌱 DEPOSITS → SBI wants lower CRR on green deposits (2023)

RBI not implemented this request. Faded topic. Deleting from HDT.

12.13 😞 NIM, LIQUIDITY OVERHANG & ₹2000 WITHDRAWAL



12.13.1 📖 ES24: NIM >5% is dangerous for financial stability

- Net interest margin (NIM) is difference between Loan interest MINUS Deposit Interest Rate. An NIM of 3–4% is considered healthy/good for bank's profitability and growth.
- if NIM>5%, it implies that greedy-banker is exploiting the depositor and/or the borrower = not good for financial stability of the system. (मुनाफ़ाखोरी/व्याजखोरी, शोषण, वित्तीय स्थिरता।)
- Thus, High NIM (e.g. >over 5%) is negatively correlated with financial stability. But, thankfully, the NIM of Indian banks is below 5%- said Economic Survey.

12.13.2 Liquidity overhang

- refers to a situation in monetary policy where money supply is >> (higher) than demand for money (loans). [जब मुद्रा आपूर्ति ज़्यादा और मुद्रा/लोन की माँग कम हो]



- Result? Loan interest rates become cheaper. This could have negative consequences if there is a problem of high inflation. (Because cheap loans → more shopping → more demand → inflation problem worsens) (लोन सस्ते हो जाएँगे, और वे महंगाई की समस्या को जटिल बनायेंगे।)

12.13.3 Liquidity overhang may occur in following scenarios

- During Very Dovish (Easy) monetary policy e.g USA's Quantitative Easing (QE) - Refer to the last section of this handout.
- During Note-ban (Demonetisation) or withdrawal of currency. e.g. ₹2000 in 2023. [Solution: i-CRR. Refer to Next Section]

12.14 INCREMENTAL CRR AFTER ₹2000 WITHDRAWAL

- After withdrawal of ₹2000 notes → 87% of such notes coming as bank deposits. (Meaning public didn't exchange 87% 2000 notes with other notes like ₹2000 ₹500x4 notes. Public simply deposited in to their bank accounts.)
- But as we learned in previous section, this **can cause problem of 'Liquidity overhang'**
- So, RBI came up with Incremental Cash Reserve Ratio (I-CRR: वृद्धिशील नकद आरक्षित अनुपात)

	Normal CRR	i-CRR (10%)
Rate	4.0% of NDTL as of 2025-Feb	Whatever extra/ additional deposits came during [May 19, 2023 and July 28, 2023]...keep... 10% extra CRR from it, During 12th-Aug to 7th-Oct-2023 on those deposits. (Exact dates / Exact formula not imp.) 2000 के नोट चलन हटाने के बाद बैंको में जो अतिरिक्त राशि जमा हुई उसमें कुछ अतिरिक्त CRR एक अस्थायी समय तक रखना होगा ऐसा नियम.
Objective?	- Bank run safety - Control money Supply	- To suck excess liquidity after withdrawal of ₹2000 . - To avoid LIQUIDITY overhang problem.
Will RBI pay interest to bankers on this?	No.	No. रिज़र्व बैंक बैंकरों को कोई ब्याज नहीं देगा इस पर.

- i-CRR locked ₹1 trillion worth money. i-CRR was a temporary measure from 12th-Aug to 7th-Oct 2023. Then i-CRR was withdrawn/removed.
- Earlier, RBI had issued a temporary i-CRR in 2016-17 after demonetisation of ₹500 & ₹1000

 **♀ FAQ: does i-CRR only count ₹2000 note deposit or does it also count ₹100-500 type deposits?** Ans. RBI press release didn't clarify. And I didn't waste time doing self-PHD.



12.14.1 🚩👉👉👉👉👉👉👉👉👉 CRR Technical things NOTIMP

Following technical operational aspects of CRR not imp / poor cost benefit in studying for exam

- What is Automated sweep-in and sweep-out (ASISO) facility?
- What is Flexible Automated Option for Managing CRR?
- Banks are required to calculate CRR on a fortnightly (15 days) basis. They have to maintain at least 90% of that amount in CRR on daily basis. RBI also ↓ minimum daily CRR balance maintenance from 90% to 80% upto 2020-June. = NOTIMP. परीक्षा के लिए काम की नहीं

🚩👉👉👉👉👉👉👉👉👉 Above type of information is not really important for the scope of civil service exam. So, don't lose sleep if some inexperienced private Mocktest quiz master framing MCQs like this.

AB CD ? Cash Reserve Ratio refers to _____. (UPSC-CDS-i-2020)

- the share of Net Demand and time liabilities (NDTL) that banks have to hold as liquid assets
- the share of NDTL that banks have to hold as balances with the RBI
- the share of Net demand and time liabilities that banks have to hold as part of their cash reserves
- the ratio of cash holding to reserves of banks

AB CD ? Find correct statements about SLR: (UPSC-CDS-2011-II)

- To meet SLR, Commercial banks must keep cash only.
- SLR is maintained by the banks with themselves.
- SLR restricts the banks leverage in pumping more money into the economy.

Answer codes:(a) 1, 2 and 3 (b) 1 and 3 (c) 2 and 3 (d) only 2

AB CD ? When RBI reduces SLR by 50 basis points which is likely to happen? (UPSC-Pre-2015)

- India's GDP growth rate increases drastically.
- Foreign Institutional Investors may bring more capital into our country.
- Scheduled Commercial Banks may cut their lending rates.
- It may drastically reduce the liquidity to the banking system.

AB CD ? If the CRR is lowered by the RBI, supply of money in the economy will: ____ (CAPF-2023)

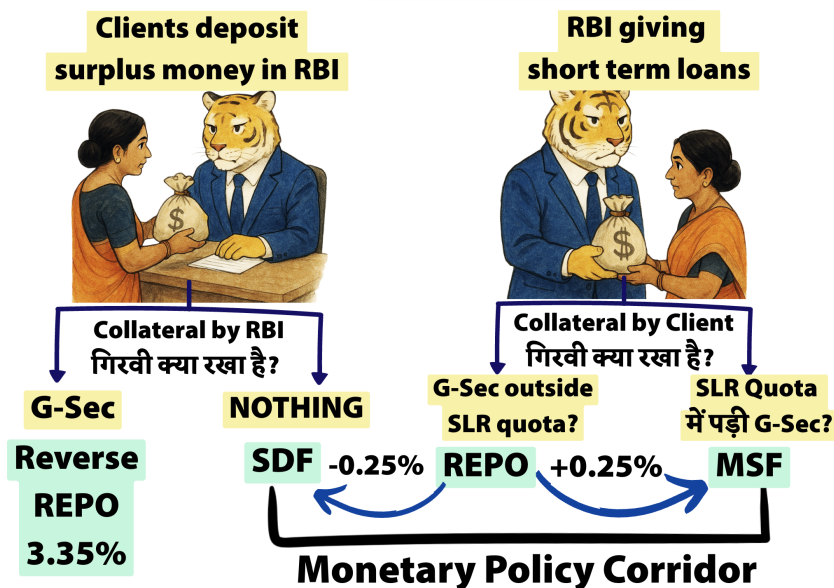
- remain unchanged.
- decrease.
- increase.
- have ambiguous impact.

AB CD ? The banks are required to maintain a certain ratio between their "cash in hand" and total assets. This ratio is known as : ____ (CAPF-2023)

- Cash Reserve Ratio (CRR)
- Statutory Liquidity Ratio (SLR)
- Central Bank Reserve (CBR)
- Statutory Bank Ratio (SBR)

AB CD ? If the CRR is lowered by RBI, supply of money in the economy ____ (CAPF'23)

- remain unchanged.
- decrease.
- increase.
- have ambiguous impact.



12.15 🐯📢 MONPOLICY → QUANT TOOLS → RATES → LAF REPO

Note: Latest repo rate @separate section of this HDT, heading “RBI's Monetary Policies Trend”.

RBI's Liquidity Adjustment Facility (LAF, तरलता समायोजन सुविधा): has two windows:

* LAF-Repo Rate (रिपो दर/पुनः क्रय-अनुबंध)	* * LAF-Reverse Repo Rate (उलट रिपो/ पुनः क्रय-अनुबंध)
The Interest rate at which RBI lends short-term loans to its clients, keeping their G-Sec as collaterals. (रिजर्व बैंक अपने ग्राहकों को लघु अवधि के ऋण देता है। उसपर लागू ब्याज दर को रिपो दर कहते हैं। ग्राहक ने अपनी सरकारी प्रतिभूतियों को रिजर्व बैंक में गिरवी रखना पड़ता है)	It's the interest rate that clients earn when parking their surplus funds with the RBI for short periods, to earn interest. (ग्राहक अपना अतिरिक्त धन, रिजर्व बैंक में लघु अवधि के लिए जमा कर जो ब्याजदर कमाते हैं, उसे उलट-रिपो-दर कहते हैं)
⇒ Clients enter into an agreement with RBI to repurchase their G-sec at a future date at a (higher) pre-determined price.	Mechanism similar to Repo, RBI gives its G-Sec as a collateral to client.
⇒ Banks can't pledge their SLR-quota-G-Secs for this borrowing. 🙅	
⇒ Repo also called 'Ready Forward Transaction'.	Reverse Repo Rate = Repo% MINUS x%
⇒ Repo Rate is our Policy Rate to control inflation. (मौद्रिक नीति दर)	

⇒ Repo = RBI lends short term loans its clients, & demands G-Sec/T-bill as collateral. 🙅 At every place, I've not mentioned T-bill, as it just reduces the speed of revision.

⇒ **Market Repo** = Players other than RBI (such as bank, NBFCs) loaning short money to other Banks/NBFCs/Corporate Companies, and demanding financial securities



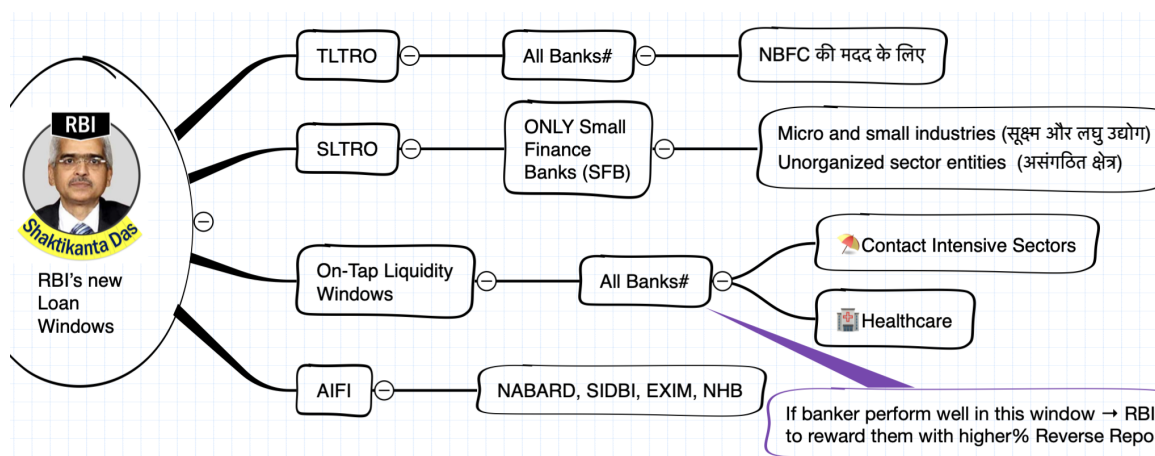
(G-Sec/T-Bill/shares/bonds/commercial paper etc.) as collateral. What do those terms mean? Ans. Ref the table given in topic Operation Twist.

12.16 ⚡ CURRENT REPO VS [NEUTRAL OR TERMINAL] REPO RATE

Term	Meaning
⚡ Current repo	Whatever is the present Repo rate e.g. 5.50% in 2025-June. (वर्तमान रेपो दर)
Neutral or Terminal repo rate तटस्थ रेपो दर	% repo rate at which inflation is under control, and full employment achieved. RBI will not increase the repo rate beyond this point ELSE it'll damage consumer demand & GDP growth. - This is a theoretical concepts, RBI has not officially declared any number / target for it. (यदि इस नंबर से ज्यादा रेपो दर को बढ़ाया तो फिर पब्लिक लोन कम लेगी और अर्थतंत्र को कठिनाई होगी बेरोजगारी बढ़ जाएगी.)
NAIRU	Non-Accelerating Inflation Rate of Unemployment. This term is related with Unemployment. It is not loan interest rate. (We'll study it in: Pillar#4C: Unemployment) (यह बेरोजगारी दर है. ब्याज दर नहीं. खिचड़ी मत करो)

12.17 🧑🐼📢📈 REPO → SPECIAL WINDOWS UNDER ATMA NIRBHAR

'Atma-Nirbhar' is a set of reforms by RBI and govt to revive Indian economy after Corona-2020



12.17.1 🧑🐼📢📈 REPO → TLTRO, SLTRO, On-Tap Windows after Corona

- We will not waste time learning how exactly they worked because it is outdated. So only vague idea of the keywords is enough.
- #In above chart, All Banks doesn't include Payment Banks. PB can't give loans (Ref: 📄 #1B1)
- "Contact Intensive Sectors" means hotel, gym etc.

12.17.2 (2020) 🧑🐼📢📈 Reverse Repo Rate cut



Figure 2: sir, जब तक आप loan के लिए हूँ नहीं कहेंगे, हम आपको telemarketing spam-calls करते रहेंगे!



Corona led Economic Slowdown → Loan demand ↓ → banks parking their excess funds in RBI to earn interest in the form of reverse repo rate. (कोरोना महामारी के दौरान बैंक वाले अपना अतिरिक्त धन रिज़र्व बैंक में डाल के बैठे बिठाये व्याज कमा रहे थे. ग्राहकों में लोन का पैसा घुमाने की मेहनत नहीं कर रहे थे.)

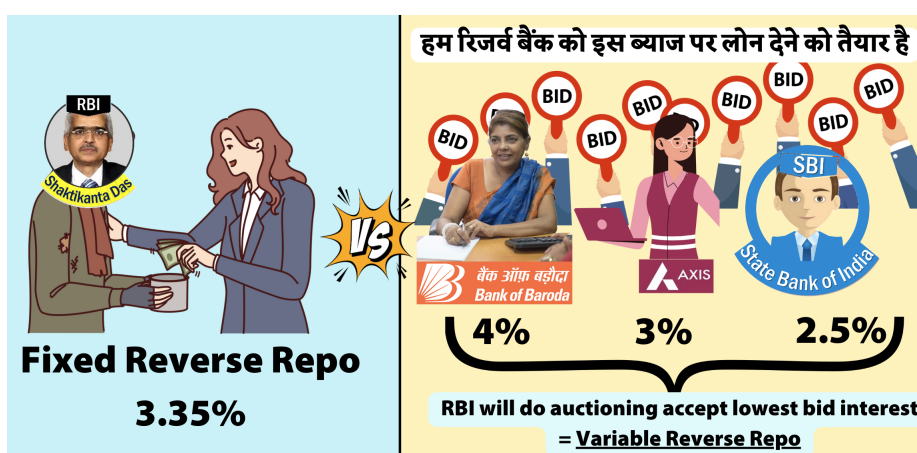
⇒ By 2020-March: banks parked ₹~3 lakh crores in RBI in Reverse Repo.

⇒ So, RBI has drastically reduced ↓ the reverse repo rate to 3.35% to discourage such laziness of banks. (बैंको के इस आलसीपन को दूर करने के लिए रिज़र्व बैंक ने रिवर्स रेपो रेट में कटौती की)

⇒ Benefit of reverse repo reduction?

- ✓ IF SBI offers 5.9% Fixed deposit interest rate to depositors, and parks it in the RBI reverse repo rate (3.35%) then SBI will actually make losses.
- ✓ So, RBI hopes SBI will now be 'forced' to give loans in a proactive manner (through SMS-spam, email-spam and unwanted telemarketing calls etc)

12.17.3 🐼🏠 MonPolicy → Quant Tools → Variable Rate Reverse Repo (VRRR)



Type	(Normal / Fixed) Reverse Repo	Variable rate reverse repo (VRRR)
Interest Rate?	Fixed by RBI. e.g. 3.35% (2023)	Varies/changes depending on the auction bids made by clients.
Objective?	When RBI wants to reduce money supply	
Can RBI reject clients in this window?	Yes. Depends on RBI discretion/mood	

- VRRR is a special method thru which RBI conducts reverse repo rate deals with clients, via auction. so exact % is not fixed. because % depends on the auction. (नीलामी से तय होता है रिवर्स रिपो दर। असल में कैसे होगा उसमे हम समय बर्बाद नहीं करेंगे)
- RBI conducted VRRR operations during 2023. So term came was in news.

🚩🧐 **FAQ: Why doesn't RBI merge these 2 tools ?** Ans. Governor will use them as per his situation/discretion. He didn't explain, I didn't do self-PHD.



► 🧐 **FAQ: I've counter-logics on how Bankers can misuse these windows!?** Ans. Look at PYQs. do u think UPSC will ask it? R u a focused-race-horse or r u a wandering-street-bull?

12.17.4 🧐 🗂️ MonPolicy → Quant Tools → Rates → MSF (2011)

- **Marginal Standing Facility (MSF: सीमांत स्थायी सुविधा)** is the Interest rate at which RBI lends short-term loans to Scheduled Commercial Banks (SCB) & Regional Rural Banks (RRB) with their SLR-quota G-Sec as collaterals. (ऐसी खास खिड़की है जहाँ से रिज़र्व बैंक द्वारा अनुसूचित वाणिज्यिक बैंकों तथा क्षेत्रीय ग्रामीण बैंकों को, उन बैंकों के एसएलआर कोटा की प्रतिभूतियों को गिरवी लेकर रिज़र्व बैंक उन्हें लघु अवधि के कर्ज देता है)
- MSF higher than Repo Rate. $MSF = Repo\% + 0.25\%$
- What is the difference/meaning of SCB/RRB/SFB/UCB etc? Ans: (🗂️ Ref: HDT-Pillar#1B1:)

► 🧐 **FAQ: Which types of banks can access MSF facility?** ✅ Ans. It is given in above note itself.

► 🧐 **FAQ: are cooperative banks eligible for MSF or not?** ✅ Ans. not imp. self-PHD karo.

12.17.5 🧐 🗂️ MonPolicy → Quant Tools → Rates → Bank rate (बैंक दर):

	Bank Rate	MSF	Repo Rate
Introduced in	RBI Act, 1934**	2011	2000
What is the % rate?	Since 2012: $Bank\ Rate\% = MSF\%$	$MSF = Repo\% + "x"\%$	Monetary Policy Committee decides
Who can borrow from the RBI?	Only banks		All clients of RBI: bank, non-bank, Union & State Govt
Collateral required?	**Yes and No	Bank can pledge securities from its SLR quota	Yes, G-Sec/T-bill. But not from SLR
Loan duration	Longer than repo	Short term usually overnight to 14 days	
Primary Utility?	Nowadays mainly for deciding penalty on errant banks	Emergency borrowing by bank, using their securities from SLR quota subject to certain limits.	Short term borrowing by all clients of RBI.

- **RBI Act, 1934: "Bank rate is the standard rate at which RBI buys or **rediscounts** first class securities, bills of exchange or other commercial papers.(-NCERT)" *rediscounting basically means the "repo-walla game= RBI buys @x price, re-sells@y price where $y > x$ "*
- But, since the introduction of the Repo rate in the 2000s, the Bank rate has become a dormant tool (निष्क्रिय उपकरण) =not frequently used by RBI for lending or by banks for borrowing).

So, **reference books/websites differ** in its operational status e.g. some of them would say:

- Bank rate requires no collateral and is meant for long term loans.
- Bank rate accepts collateral which can be both GSec/T-bill as well as private companies' securities.



🚩🙌 So, in the real exam, it depends on which book/web source the examiner has copied the statement(s) and accordingly you've to take a judgement call in ticking the answer. (विभिन्न और किताबों और वेब साइटों पर बैंक दर की व्याख्या/अर्थ गठन अलग अलग है.)

12.17.6 🐯🔊 Quanti. Tools → SDF (=Reverse Repo walla game Without Collaterals)

- ⇒ 2013: Urjit Patel Committee on Monetary policy proposed standing deposit facility (SDF)
- ⇒ SDF = Clients park/deposit their extra money in RBI. RBI pays them interest. RBI doesn't give any collateral (unlike in REVERSE REPO). (स्थायी जमा/डिपॉजिट सुविधा = रिज़र्व बैंक के ग्राहक अपना अतिरिक्त पैसा रिज़र्व बैंक में जमा करेगा. रिज़र्व बैंक ग्राहकों को डिपॉजिट के लिए ब्याज देगा. रिज़र्व बैंक ग्राहक के पास गिरवी कुछ नहीं रखेगा.)
- ⇒ 😊 Benefit of SDF: To combat inflation → RBI can suck extra money supply via SDF window. RBI will not have to pledge G-Sec as collateral to clients. (महंगाई से लड़ने वास्ते बाज़ार में से पैसों की अतिरिक्त आपूर्ति को चूसने/हटाने/कम करने के लिए रिज़र्व बैंक एसडीएफ का इस्तेमाल कर सकता है- बिना कुछ गिरवी रखे।)
- ⇒ 2018: RBI act amended to add SDF facility. (रिज़र्व बैंक क़ानून में सुधार किया गया).
- ⇒ **2022-April:** RBI launched SDF. RBI also changed in Policy corridor.

12.17.7 🏦 MSF Repo vs Reverse Repo vs SDF (numbers as of 2025-June)

Tool	MSF	Repo	SDF	Reverse Repo
Present rate (2025-Feb)	5.75% (Repo + 0.25%)	5.50%	5.25% (Repo minus 0.25%)	3.35% Fixed Reverse Repo Rate (FRRR)
Lender	RBI	RBI	Banks+some NBFCs	Banks+some NBFCs
Borrower	ONLY Scheduled Commercial Banks (SCB) & RRB	Banks+some NBFCs e.g. as Primary Dealers	RBI	RBI
Borrower need to give Collateral?	Yes	Yes	Not required.	Yes
##Facility available at Discretion of	Client (SCB)	RBI	Client (Banks+Some NBFC)	RBI

- ⇒ ## Discretion = here means suppose a client (Bank/NBFC) comes for Reverse Repo= It's not compulsory for RBI to entertain him. (रिज़र्व बैंक की मर्जी की बात है कि उसको सेवा देगा या नहीं देगा.)
- ⇒ But, If client (Banker) comes for MSF = RBI will not say "NO" to him. RBI will help him.
- ⇒ What is SCB/Scheduled commercial banks? Ans. Refer Pillar1B1: Classification of Banks



12.17.8 🚧 Policy Corridor / LAF Corridor / Monetary Policy Corridor (नीति गलियारा)

- ⇒ Policy Corridor also known as Liquidity Adjustment Facility (LAF) corridor. (तरलता सुविधा गलियारा)
- ⇒ BEFORE 2022-April: Policy Corridor = total width between: MSF <—> REPO <—> Reverse Repo. (इन तीनों उपकरणों के बीच की कुल चौड़ाई)
- ⇒ After 2022-April: Policy Corridor = MSF (Repo+0.25%) <—> REPO <—> SDF (Repo-0.25%)
- ⇒ Thus total width is $0.25+0.25=0.50\%$
- Note: 100 base point system (BPS) = 1% So 25 bps = 0.25%. 50 bps = 0.50%
- ⇒ SDF has replaced the Reverse Repo Rate as the floor of the Policy corridor.
- ⇒ However, Reverse Repo was not discontinued. Reverse Repo will remain as part of RBI's toolkit
- ⇒ Reverse Repo will be used as per the mood/discretions of the RBI from time to time

12.17.9 🧑 SDF pe faaltu ke FAQ

🧑 FAQ: is SDF part of LAF window or separate window?

Ans. Governor didn't explain in press release so, i didn't do self-PHD.

🧑 FAQ: SDF is launched so does it mean Reverse Repo discontinued?

Reverse Repo rate **not** discontinued. Reverse Repo will remain as part of RBI's toolkit. RBI will continue to use it at its discretion from time to time. Presently Reverse Repo is 3.35%

🧑 FAQ: what is the deposit time duration of SDF and Reverse Repo?

> Sufficient to know these are for short-term. Now what exactly is short-term? Is it 1 day, 7 day, 14 day? = Not important for exam. Why overburden the memory card of the brain with unnecessary information? क्यों झंडा लेके तुम खड़े हो भाई? तुमको IAS बना है या तुमको पीएच करना है, पहले वो नक्की करो।

🧑 FAQ: IF SDF and Reverse Repo both present, then why would Bankers go for SDF where no collateral given?

> The time period and interest rate offered on SDF and Reverse Repo are different. So, it **depends on bankers' business-requirement, cash-flow management**. RBI is not pointing in gun their head to use it. (बैंकर को ज़रूरत होगी तो इस्तेमाल करेगा. रिज़र्व बैंक उसकी कनपटी पर पिस्तौल नहीं रखा है. तुम अपना BP हाई kyo कर रहे हो?)

🧑 FAQ: Reverse repo is lower than SDF, then why is SDF labelled as 'floor' of the corridor?

Ans. RBI didn't explain, so i didn't self-PHD.

📖 MCQ. Consider the following statements regarding instruments of monetary policy: (CDS-24-i)

1. Standing deposit facility (SDF) rate was introduced in April 2022.
2. SDF rate replaced fixed reverse repo rate as the floor of the LAF corridor.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

Note: This MCQ is UPSC examiner's slap on Vloggers & lazy coaching mafia who keep paddling a false **toolkit** narrative, to avoid updating their notes ke UPSC only asks concepts and not facts.

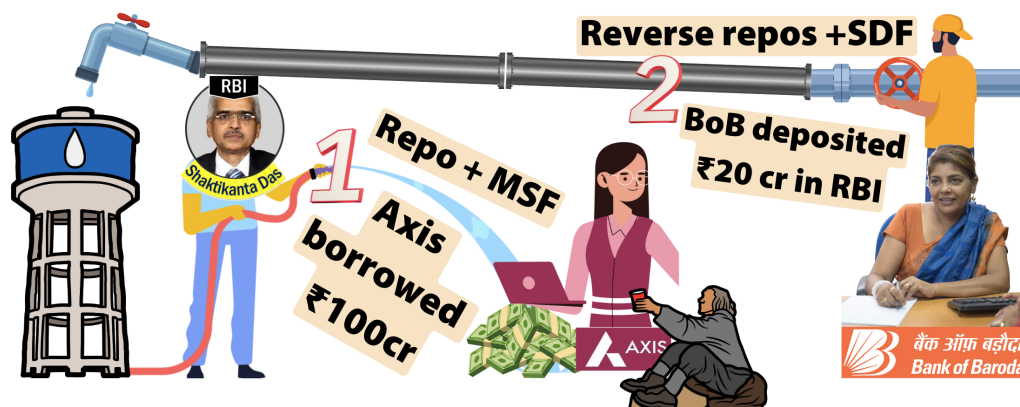
12.17.10 💧 System level liquidity

$$\text{System level liquidity} = [(Reverse\ repos + SDF) - (Repo + MSF)]$$

- Positive number represents system surplus liquidity.
- Negative number represents system deficit liquidity.



- 2023: there has been a deficit of ₹0.42–1.61 lakh crore. [because RBI is reducing the money supply to combat the inflation.]
- 🧐 FAQ: How/Why? Ans. Read the chart carefully. Watch the lecture peacefully.



3 $+20 - 100 = (-80)$ ki system liquidity Deficit (तरलता में घाटा/तंगी)
 bcoz if Axis had enough deposits, it'd not borrow from RBI
 अगर डिपोजिट में पैसा आ रहा होता, तो Axis भीख/लोन माँगने नहीं जाता RBI के पास।

12.17.11 🧐🧐🧐 Tri-Party Repo (त्रि-पक्षीय पुनः क्रय-अनुबंध):

- Refer Pillar1C: Sharemarket → short term instrument.
- Sufficient to know **this (Tri-party-repo) is not a tool of Monetary Policy**. It is a method to meant to help companies to borrow money from the market. (ये मौद्रिक नीती का हिस्सा नहीं है.)

12.17.12 🧐🧐 BPLR, MCLR, External Benchmarks, etc:

Terms related to how individual banks decide their loan rates. Ref: End section of present handout.

12.18 🧐🧐 OPEN MARKET OPERATIONS- TWO TYPES

OMO Types	Meaning
repo-OMO	already learned in previous section. RBI buys/sells G-Sec with promise of repurchase. (e.g. Repo and Reverse Repo)
outright-OMO	RBI buys/sells G-Sec WITHOUT any promise to buy them back.

🧐 FAQ: does it mean Repo is sub-type of OMO? Ans. Theoretically yes as per NCERT. But as far as MCQ ticking is concerned it depends on CONTEXT/Tone of the question. So far after observing the PYQ, UPSC examiner treats them as two separate tools, without MIXING up. For the purpose of my NOTES- consider OMO= secondary market mein RBI's buying-selling.

12.18.1 🧐🧐 Market Operations (OMO): (Inflation → Sell G-Sec, Deflation → Buy)



Figure 3: Aloo Lelo, Pyaaz Lelo, G-Sec Lelo...

- **Open Market Operations** (खुले बाजार की क्रियाएँ): RBI buys and sells Union & State Govts' securities to control money supply.



- RBI buying = Money supply ↑ increased/liquidity injected in the market.
- RBI selling = Money supply ↓ decreased/liquidity absorbed from the market.
- **Market Stabilization Scheme** (बाजार स्थिरीकरण योजना): RBI sells special type of G-sec, T-Bill & Cash Management Bills (CMB) to suck excess liquidity. 🙌 How it works? How is it similar or different than OMO? Ans. NOTIMP. Very low profile thing for scope of UPSC.
- **Sterilization / Forex Swap**: Their primary objective is to control the currency exchange rate volatility (e.g. \$1=₹65,70,80... मुद्रा विनिमय दर की स्थिरता के साथ जुड़ा हुआ मामला). <More in 📄 Pill#3 >
- **Operation Twist (2019)**: a special type of OMO. Explained in next segment.

12.19 📢📁📈 MONPOLICY: QUANTI TOOLS: OMO → OPERATION TWIST

12.19.1 📁📈: Security → Debt → G-Sec & Bonds (ऋण के लिए जारी की गई प्रतिभूतियां)

A 'Security' means a certificate/document indicating that its holder is eligible to receive a certain amount of money at a particular time. This could be a...

Table 3: प्रतिभूतियों के विभिन्न प्रकार

Borrower	👑 Govt	👤 Corporate (निगम)
Short term (less than 1 year)	Treasury bills, Cash Management bills	Bill of Exchange, Commercial Papers, Promissory Notes.
Long term (1 year/>) →	G-Sec, Sovereign Bonds	Bonds / Debentures
Interest rate	Usually lower than Corporates' because risk is low	Depends on following factors →

12.19.2 📁📈 (📁📈📈): Deepening of G-Sec market- Retail investors' RDAG @RBI

- RBI launched "Retail Direct Scheme" in 2021.
- Under this scheme, RBI permits "Retail Direct Gilt (RDG) account" for retail investors on its E-Kuber online platform. (आम निवेशक रिज़र्व बैंक में आरडीजी नामक खाता खोल पाएंगे)
- Both Resident Indians & non-resident Indians (NRIs) can open this account. (गैर निवासी भारतीय भी)
- Then Retail investors can directly buy Treasury Bills (T-Bill), G-Secs (of Union Government), State Development Loans (SDL are 'G-secs' of State Govts) and Sovereign Gold Bonds, from RBI directly. (आम निवेशक सीधा रिज़र्व बैंक से इन प्रतिभूतियों को खरीद सकता है.)
- Application fees to open the account = ₹ ZERO
- 📈 **Benefit?** 1) Earlier retail investors bought G-sec "indirectly" through mutual funds wherein mutual fund manager (MF) charged commission/fees. Now retail investor can buy directly so does not have to pay such commission/fees to MF managers. (बिचौलियों को दलाली/कमीशन नहीं देना होगा)
- (More in 📄 Pillar#1C- SEBI Share market, DEMAT account etc)

12.19.3 📁📈📈: Bond Yield (बांड में निवेश करने पर होने वाली आय या मुनाफा)

- Bond yield is the profit an investor earns on a bond investment.



1 SriLankan Govt Bonds : Rs.100 @7% interest

2 Bond yield = $\left(\frac{\text{profit}}{\text{investment}}\right) = \left(\frac{107 - 100}{100}\right) * 100 = 7\%$

3 SriLankan economy collapse, riots, Prez runs away

plz buy my ₹100 face value ka bond. I want to exit.

4 **5** i'll pay only ₹63 for this junk bond!

6 Bond yield = $\left(\frac{\text{profit}}{\text{investment}}\right) = \left(\frac{107 - 63}{63}\right) * 100 = 70\%$

Bond Yield 7% **70% increase**

when investor exits at lower price

1. Political instability / Risk of govt defaulting on loans e.g. SriLanka, Pakistan.
2. better profits in shares, gold, real-estate, other nations' financial markets etc.
3. ↑ Inflation → investor shifting from bonds to gold/real-estate for better profit.
4. Central Bank's buying-selling of Govt Bonds & on how it affects supply/demand of those Govt Bonds.

12.19.4 🗡️💰: 🤑 Bond Yield $\propto 1/\text{Price}$ (सस्ते में खरीदा= तो मुनाफा ज्यादा)

- ⇒ If Bhide bought 8% interest walla bond @Rs.100, then his yield is 8%; If Jethalal bought it @90, his yield is 20%.
- ⇒ Thus, Bond yield is **inversely related** to the current selling price in the secondary market.
- ⇒ If a bond's demand ↑ → its selling price will ↑ → bond yield ↓ (Because of inverse relation)

12.19.5 🗡️💰: 🤑 Bond yield: other factors affecting it (अन्य कारक)

- ⇒ If the economy is booming (तेजी), companies are making great profit, investors may sell bonds at lower prices in a hurry to unlock their money to invest it in shares of companies, because they think it'll get them more dividend. Then bond's current selling price ↓ → yield ↑.
- ⇒ If the economy is facing **recession** (Continuous decline in growth rate: मंदी) → companies will NOT make great profit → investors sell shares, & to buy bonds hoping they'll get secured fixed interest. → bond's demand ↑ in the secondary market → selling price ↑ → yield ↓.
- ⇒ Political instability. (Self-explanatory from SriLanka example.).
- ⇒ Inflation. (How? Explained in video).
- ⇒ Actions of the central bank. (see the section – Operation Twist).

12.19.6 🗡️💰: 🤑 Corporate Bonds: factors that determine its interest rate

If companies want to borrow money, they may issue bonds to investors. e.g. "Whoever buys this Reliance Bond worth ₹1000, we will pay him 9.40% interest rate per year and return the principal after 15 years." Usually the interest rate offered on such bonds depends on



Factor (कारक)	How it determines corporate bond interest rate?
(Risk) Credit rating of company	Lower credit rating (e.g. CCC or D) → higher interest rate needs to be offered because risk of default is high. जब दिवालियेपन का जोखिम ज्यादा हो
Inflation	If Bond is not offering more % than the level of inflation% then investors may not come. (महंगाई दर से अधिक ब्याज दर नहीं देगा तो लोग नहीं जुड़ेंगे) why/how: Ans. Ref: 📄 Pillar1C → Inflation Indexed Bonds
Bank deposit interest rates	Higher the (Bank) deposit interest rate, higher bond interest rate needs to be offered to attract households to shift money from bank savings/FD to corporate bonds. (अगर बैंक जमाकर्ताओं को अच्छा ब्याज दे रहा है तो कंपनी ने ज्यादा ब्याज ऑफर करना होगा)
Yield on G-Sec	If G-Sec yield ↑, then corporate will have to offer even higher bond interest rate to attract the investors from G-Sec investment towards Corporate/company-Bond investment.

12.19.7 🐯📢📄🔄 Operation Twist: why?

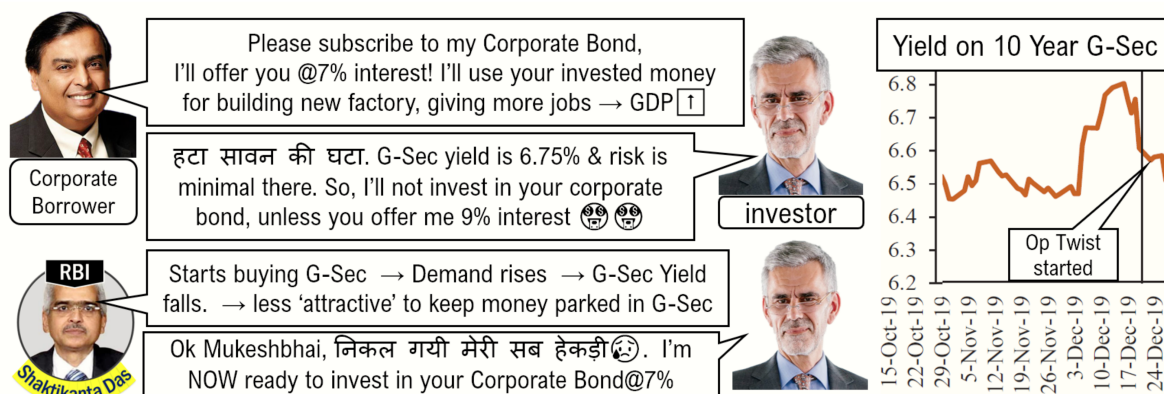


Figure 5: figures are only for illustration. 🔄 No need to memorize numbers.

- ⇒ Commercial banks were reluctant to lend money to private sector companies because of the problem of Bad Loans /Non-Performing assets (NPA: More in 📄 Pillar1B2). दिवालियेपन की घटनाओं के चलते, बैंकवाले निजी क्षेत्र की कंपनियों को कर्ज देने से डर रहे थे। आर्थिक वृद्धि और रोजगार सृजन के लिए यह अच्छी बात नहीं थी.
- ⇒ If such companies could borrow money by issuing corporate bonds (at cheaper interest rate) → more factories, more jobs, more production, more GDP.
- ⇒ RBI decided to attack the third factor: “If the yield on long term G-Sec decreased, then automatically Corporate Bond interest rates could also decrease.”

12.19.8 🐯📢📄🔄 RBI's Operation Twist: methodology (2019-Dec)

Since RBI's existing monetary policy tools had failed to make loans cheaper for corporates / boost the economy. So in 2019-Dec, RBI started a “special OMO” wherein:

- ⇒ Since RBI started buying long-term G-Sec, their demand will ↑ → price will ↑ → yield is ↓.
The 10YearGSec's yield lowered from 6.75% to 6.60%



⇒ And we've already learned, Corporate bonds are priced (benchmarked) keeping G-sec yields in mind.

So, Op Twist → Lower G-Sec yield means →

- ✓ Cheaper borrowing for Private sector Companies. Because
 - They can borrow money by issuing their (long term) Corporate-Bonds at much cheaper interest rate than before. (निजी क्षेत्र की कंपनियों के लिए बॉन्ड जारी कर- ऋण लेना हुआ सस्ता 😊)
 - When a private company meets a bank manager to borrow money, it can negotiate the loan price, "If your bank does not lend me money at this cheaper interest% then I will issue my own corporate bonds." → Even the bank lending rates for corporate loans could be reduced.
- ✓ Cheaper borrowing for Government. For reasons similar to above. (How? Explained in Video)
- ✓ Investor of long term G-Sec will feel discouraged to hold the G-Sec till maturity (10-14 years), He will try to sell it to another party/RBI and pull out his money, then he may park ₹ it a Corporate Bond / Bungalow / car / Goa-vacation etc. Thus, it helps boost the consumption → economy grows.

समज में आ गया हो तो बढ़िया है, नहीं तो रट्टा मारो जिंदाबाद (if not understood then memorize by Rot-learning)

1. 1961: "Operation Twist" was first used by the US Federal Reserve.
2. 2019: RBI used also done it. Officially called "Special Open Market Operation (OMO) wherein the Central bank simultaneously buys and sells G-sec of varying maturities to adjust their yields. Which helps reduce interest rates on corporate bonds/debentures → easier to mobilize investment → factory expansion → jobs, GDP growth. (यह एक खास किस्म की खुले बाजार की क्रिया है, जहाँ अगल अलग मियादी की सरकारी प्रतिभूतियाँ खरीद-व-बेच कर रिजर्व बैंक उनकी उपज को कम करता है, ताकि कॉर्पोरेट कंपनियाँ सस्ते ब्याज में पैसा बाजार से हासिल कर सकें, ताकि रोजगार और आर्थिक वृद्धि में मदद मिले)
3. Objectives of Op-Twist=
 - a. To make borrowing cheaper for Companies and Govt. कंपनीओ/निगमों और सरकार के लिए कर्ज सस्ता करवाना (HOW? Ans. Explained in Video).
 - b. It was NOT MEANT For fighting inflation. महंगाई से लड़ना इसका उद्देश्य नहीं है
4. It ensures better Monetary Policy transmission for economic growth. (because, earlier, simply reducing the repo rate has not helped much in making loans cheaper, for corporates. इससे पहले रेपो दर कम करने पर भी बाजार में लोन सस्ते नहीं हो रहे थे, तो रिजर्व बैंक ने सोचा ये ऑपरेशन ट्विस्ट नामक नया साधन आजमाते हैं)



Beyond this, further PHD on what/why/how = poor cost:benefit for MCQs.

12.19.9 🙋🎓🔪🗑️: 🤔 Bond Yield & Inverted Yield Curve. We'll not prepare.

Poor cost benefit / low probability of getting asked. we'll not prepare. if they ask, then skip it.

AB CD ? MCQ. India Government Bond Yields are influenced by which of the following? (Pre-2021)

1. Actions of the United States Federal Reserve [अमेरिकी फेडरल रिजर्व की क्रियाओं द्वारा]
2. Actions of the Reserve Bank of India. [रिजर्व बैंक की क्रियाओं द्वारा]
3. Inflation and short-term interest rates [महंगाई और लघु अवधि के ब्याज दर]



Answer Code: a) 1 and 2 Only b) 2 Only c) 3 Only d) 1, 2 and 3

AB CD ? MCQ. 'Open Market Operations' refers to: (Prelims-2013)

- a) borrowing by banks from the RBI b) lending by commercial banks to industry and trade
c) purchase and sale of government securities by the RBI d) None of the above

AB CD ? MCQ. Which would result in an increase in money supply in economy? (Prelims-2012)

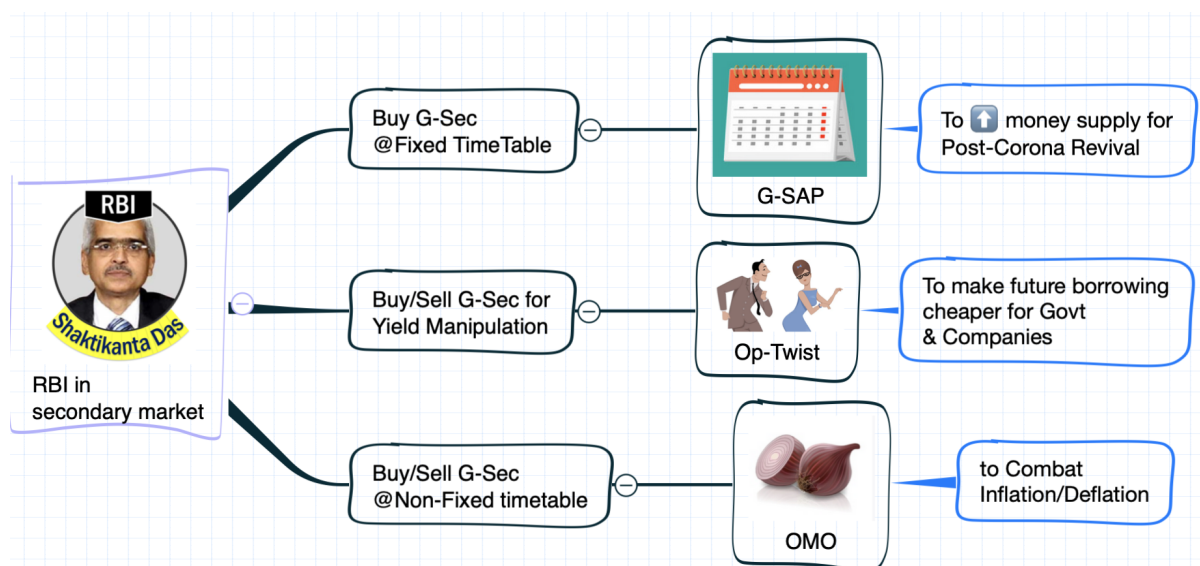
1. Purchase of G-Sec from the public by the Central Bank.
2. Deposit of currency in commercial banks by the public.
3. Borrowing by the government from the Central Bank.
4. Sale of government securities to the public by the Central Bank.

Answer Codes: (a) 1 only (b) 2 and 4 only (c) 1 and 3 (d) 2, 3 and 4

AB CD ? MCQ. Which of them is/are part of Monetary Policy? (Prelims-2015)

- 1) Bank rate 2) Open market operations 3) Public debt 4) Public Revenue

Answer Codes: (a) 1 only (b) 2, 3 and 4 (c) 1 and 2 (d) 1, 3 and 4



12.20 🐯 📢 📅 17 MONPOLICY: QUANTI TOOLS: OMO → G-SAP

⇒ Full form: (Secondary Market) G-sec acquisition programme

⇒ Mechanism: RBI to buy G-Sec from Secondary market on specified timetable. एक निश्चित समय तालिका के हिसाब से रिज़र्व बैंक द्वितीय बाज़ार से सरकारी प्रतिभूतियां खरीदेगा.

G-SAP	During these months	Total
G-SAP 1.0 (पहला चरण) →	1 st Quarter of 2021-22 = April to Jun 2021 (पहली तिमाही)	₹1.0 Lakh cr
G-SAP 2.0 (द्वितीय चरण) →	2 nd Quarter of 2021-22 = July to Sept 2021 (दूसरी तिमाही)	₹1.2 Lakh cr

12.20.1 🐯 📢 📅 17 OMO → G-SAP : 🍷 Benefit?

⇒ ↑ Money supply in the economy. (अर्थतंत्र में मुद्रा आपूर्ति बढ़ेगी)

⇒ Investors, who sold G-Sec to RBI= those investors got ₹ → They may 1) do shopping and/or 2) invest in other companies shares/bonds → 1+2=economic growth. मुद्रा आपूर्ति में बढ़ोतरी के चलते निवेशकों



के हाथ में पैसा आएगा तो वे बाज़ार से ख़रीदारी करेंगे, अन्य कम्पनियों में निवेश करेंगे → देश की आर्थिक वृद्धि में मदद मिलेगी

🤔 **FAQ/Moral Outrage: Why G-SAP? Why not achieve this via ↓ reducing REPO ? Ans.**

- ⇒ Every person may not be interested in taking new bank loans. Some investors may be interested in selling their previous investments in G-Sec to unlock the money. (हर व्यक्ति बैंक से कर्ज़ लेगा ये ज़रूरी नहीं है। कुछ निवेशक अपना पुराना G-sec निवेश बेचकर पैसा बटोरना चाहते हो तो जी-सेप में आ सकते हैं)
- ⇒ if RBI ↓ decreases the repo rate too much → it can result in A) inflation and B) ↓ decrease in the deposit interest rates offered by the bankers on savings account → middle-class and pensioners affected negatively. (रेपो दर में बहुत ज़्यादा कटौती हुई तो नई समस्याएँ खड़ी होंगी)

Table 4: To Sum up, OMO, GSAP, OP-TWIST (कुल मिलाकर बात ये है कि)

G-SAP	⇒ RBI is buying G-Sec to increase money supply → Post-corona revival. ⇒ Money amount, date&time/calendar/timetable is transparently & systematically announced in advance before starting. ⇒ इसमें पैसों की मात्रा, समय-तालिका सब कुछ पारदर्शी और व्यवस्थित रूप से, ख़रीदारी शुरुआत करने से पहले रिज़र्व बैंक प्रकाशित कर देता है।
OMO	⇒ RBI is selling G-Sec to control inflation. ⇒ RBI is buying G-Sec to fight deflation. मुद्रास्फीति(मंहगाई)/अपस्फीति(सस्ताई) से लड़ने के लिए रिज़र्व बैंक सरकारी प्रतिभूतियों को बेचेगी/खरीदेगी ⇒ Its timetable NOT announced in advance, in detailed manner, unlike G-SAP. रिज़र्व बैंक के विवेक/मनमर्ज़ी पर अनियमित समय पर ये क्रिया होती थी। समय से पूर्व, विस्तृत रूप से इसकी समय तालिका प्रकाशित नहीं की जाती थी। ⇒ OMO window is NOT discontinued. It'll continue to function as per discretion of RBI. इस खिड़की को बंद नहीं किया गया। रिज़र्व बैंक के विवेकानुसार भविष्य में भी जारी रहेगा.
Op.Twist	⇒ RBI is Buying and Selling of G-Sec of varying maturities ⇒ To reduce G-Sec yield → so future borrowing becomes cheaper for Government and Companies. (रिज़र्व बैंक द्वारा भिन्न भिन्न अवधि/मियादी की सरकारी प्रतिभूतियों को खरीदना और बेचना ताकि यील्ड कम हो सके ताकि भविष्य में सरकार तथा कंपनियों के लिए कर्ज़ लेना सस्ता हो सके।)

12.21 🦁📢🌽 **MONETARY POLICY: QUALITATIVE TOOLS** (गुणात्मक साधन)

Quantitative tools (SLR,CRR,Repo etc.) control 'volume' of loans. मात्रात्मक साधन कर्ज़ की मात्रा तय करते हैं

⇒ Whereas, qualitative tools (PSL,LTV etc.) control "distribution" of loans to a particular sector of economy. गुणात्मक साधन कर्ज़ के वितरण को तय करते हैं

- e.g. how much loan to a particular sector e.g. agriculture, renewable energy.
- how much loan to a particular segment of society (e.g. farmers, women, SC/ST).
- So, qualitative tools also known as **SELECTIVE** (चयनात्मक) or **DIRECT** (प्रत्यक्ष) Tools.



12.21.1 🙋 Moral Suasion (नैतिक दबाव / सलाह) & Publicity (प्रचार)



Figure 4: “मैंने तो अपनी repo-दर कम कर दी लेकिन ये लालची बैंक वाले अपने loan-दर कम नहीं कर रहे, कम से कम मेरा लिहाज/सम्मान रखने के लिए भी उन्हें थोड़ा तो सस्ता करना चाहिए।” - RBI Governor

- Moral suasion meaning applying “Persuasion” without applying punitive measures. RBI governor tries this tactic via conferences, informal meetings, letters, seminars etc
- E.g. RBI-Governor asking banks to transmit repo-rate cuts, open new branches in rural areas, spread financial literacy, give loans to farmers beyond PSL quota etc.
- E.g. RBI Governor requesting CM or Finance Minister to control fiscal deficit & subsidy leakage to enhance the efficacy (प्रभावकारिता) of RBI’s monetary policy.
- **Publicity:** RBI governor could give media statement, speech during university convocation (दीक्षांत पदवीदान समारोह), memorial lectures... “Look I reduced repo rate but banks are not passing the benefit to customers...and xyz”. By doing so, he can create an effective public opinion which also pressurizes the banks to stop their thuggery.

12.21.2 🚫 Direct Action (सीधी कार्यवाही: क्योंकि लातो के भुत बातों से नहीं मानते)

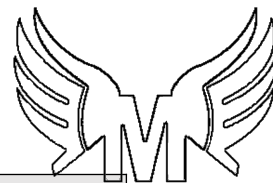
- RBI can punish banks (and even non-banks) for not complying with its directives under RBI Act, Banking Regulation Act, Payment and Settlement Systems Act, Prevention of Money Laundering Act (PMLA), Foreign Exchange Management Act (FEMA). रिजर्व बैंक के दिशा निर्देशों का पालन न करने पर विभिन्न कानूनों में सजा/दंड
- 2019: RBI ordered the banks to have a “Clawback” provision in their CEO & Top executives’ salaries. E.g. If the CEO did any scam/fraud, he’ll have to return his previously paid salary / bonus, even if he had retired/left the job afterwards. (किसी बैंक का सीईओ कांड में पकड़ा गया तो उस सीईओ ने पुरानी तनखा भी लौटानी होगी.)

12.21.3 💍 Margin Requirements / Loan to Value (LTV) (सीमा अनिवार्यता)



Figure 5: जब घर में पड़ा है सोना, फिर काहे को रोना?

- RBI can mandate Loan to Value (LTV) for a gold-loan, home loan, auto loan or business loan etc. so a Bank/NBFC can’t lend more than x% of the value of the collaterals.
- RBI can change this x% to boost / curb demand. (गिरवे रखी चीज के मूल्य के सामने बैंक या गैर-बैंक संस्थान व्यक्ति को कितना कर्ज दे सकते हैं? रिजर्व बैंक उसके मानदंड में बदलाव द्वारा, बाजार में चीज-वस्तुओं की मांग को बढ़ा या कम कर सकता है)



LTV reforms	Before	🤔 Corona-2020 to 2021-Mar	From 2021-Apr
Gold Loan	75% value of gold/gold-jewellery	Increased to 90% to revive economy	Reduced to 75%

12.21.4 🔄 Gold loan rules upto ₹2.50 lakh - RBI vs FinMin & Tamilnadu CM (2025)

Before	2025-Reform
LTV @ 75%	For gold loan upto ₹2.5 lakh → LTV raised from 75% to 85%
RBI proposed that borrower must submit gold ownership receipts before pledging his/her gold for loans.	Tamil Nadu CM complained that many poor families lack ownership receipts for ancestral jewellery, so FinMin advised RBI to relax the requirement. Consequently, RBI allowed self-declaration for gold loans up to ₹2.5 lakh. (स्व प्रमाणित करके लिख दो कि ये मेरा गहना है तो बैंकर उस गहने के सामने लोन देते वक्त कोई मालिकी की रसीद नहीं मागेगा।)

12.21.5 Selective Credit Control (चयनात्मक ऋण नियंत्रण)

🤔 In a negative / restrictive direction (नकारात्मक)	😊 In a positive direction (सकारात्मक दिशा में)
- Credit Rationing System: English (in 18th century) and USSR (till 1990s)– their central bank will not give more than “X” amount as loan to individual banks. And an individual can’t get more than prescribed amount of loans for each category (housing, education, business). (एक व्यक्ति को इससे ज्यादा कर्जा नहीं मिलेगा) - 1960s: Credit Authorization Scheme (CAS) in India: all commercial banks had to obtain prior approval of the RBI before loaning ₹ 1 crore/> to a single borrower. - 1970s: RBI imposed quantitative ceiling on non-food loans to boost green revolution, food inflation. 🤔 But such measures failed due to lax monitoring and loopholes. (शिथिल निगरानी के चलते, बेअसर रहे ये साधन)	- 🚗 Consumer credit control e.g. During deflation / recession, RBI can relax the down payment / EMI installment norms for durables like Vehicles, TV, Fridge etc. to boost consumption and demand. - Priority Sector Lending <see below> प्राथमिक क्षेत्र के ऋण मानक

12.22 🦋📢🌱 PRIORITY SECTOR LENDING (PSL: प्राथमिकता क्षेत्र के लिए ऋण मानक)



Figure 6: थोड़ा लोन हमको भी दिलवा दो Governor-sahib, हम बहोत गरीब है!



- **1968:** First time RBI used the word “priority sector”: Banks must give 40% of their loans to 3 priority sectors 1) agriculture 2) small industries 3) exporters by 1985. (कृषि छोटे उद्योग और निर्यातक)
- Over the years, more sectors were included in it. (समय के साथ साथ और भी क्षेत्रों को इसमें शामिल किया गया)
- **2015:** some reforms in PSL. → **2020** again RBI reformed PSL (निम्न सुधार किए गए)

Priority Sector Loans norms → minimum quota after 2020-Sept Reforms	BEFORE	AFTER
Weaker Sections (कुल लोन का कम से कम 12% जाना चाहिए कमजोर वर्ग को): ⇒ SC, ST, Women, PH, Minorities, Manual scavengers, Artisans, ⇒ PM-Jan DhanYojana Overdrafts upto Rs.10,000 ⇒ Beneficiaries of Govt's National Rural/Urban Livelihood Mission Schemes (NRLM/NULM: More in Pill#6: HRD →Poverty Removal Schemes)	10 %	↑ 12%*
Agriculture (कृषि) (all farmers: small and big)	10%	8%
Agriculture: सीमांत किसान और छोटे किसान ⇒ Marginal Farmer (owns upto 1hectre land) सीमांत किसान ⇒ Small farmer (>1 upto 2ht) छोटे किसान	8 %	↑ 10%*
Micro Enterprises (अति लघु उद्योग), Khadi-Village industries	7.50%	7.50%
Above categories (Weaker section, agriculture, micro-enterprise) plus, other categories such as ⇒ Small & Medium Enterprises, Affordable housing loans to beneficiaries under Pradhan Mantri Awas Yojana ⇒ food processing companies, Vermi compost, biofertilizer, seed production, ⇒ Exporters, Student-Education loans (upto Rs.10lakh), ⇒ Social Infrastructure (schools,drinking water, sanitation facilities, health care, COVID related hospitals/labs etc); ⇒ Renewable Energy Projects (wind mills, biomass generators, solar street light, micro-hydel plants etc.) etc. (नवीकरणीय ऊर्जा परियोजनाएं)	4.50%	2.50%
Total PSL for Indian Scheduled Commercial Banks and (Foreign Banks with 20 or more branches).	40%	40%

* Above quota reforms to be implemented in Phase-Wise by 2023-24. (क्रमिक रूप से नए सुधार होंगे)

- Benefit? It will ↑ loan-availability for the weaker section and small farmers thus helping in the United Nations' Sustainable Development Goals related to poverty removal. (Ref: HDT-Pillar#6)
- कमजोर वर्ग और छोटे किसानों को ज्यादा मात्रा में कर्जा मिल पाएगा. गरीबी निवारण, संयुक्त राष्ट्र के सतत विकास लक्ष्यों की प्राप्ति में मदद.
- PSL quotas are ‘minimum (न्यूनतम/कम से कम)’ & not maximum. So, if bank wishes, it can EVEN give even 60% of its loans to weaker sections, instead of just 12% “minimum quota” meant for weaker section.



- Bank's Loans given to Non-Banking Financial Company (NBFC) who are lending to above PSL categories = such 'indirect loan' to PSL sectors will also be counted for bank's quota.
- Bank + NBFC's joint lending / co-lending/ co-origination loans – what does it mean? #PHD-NOT-IMP. (बैंक और गैर-बैंक का साथ में मिलकर पीएसएल क्षेत्र को कर्ज दिया, तो उसमें बैंक ने दिया कर्ज इस क्वोटे में गिन लिया जाता है, कुछ शर्तों के आधीन)
- NOTE: PSL Norms donot apply to NBFCs. PSL Norms apply ONLY to Bankers.

12.22.1 🐼📢🌱 PSL Reforms-2020: on RRB/SFB/UCB?

What is the difference/meaning of SCB/RRB/SFB/UCB etc? Ans: (📄 Ref: HDT-Pillar#1B1:)

Table 5: need not memorize for IAS Exam, but Memorize for RBI /Bank Exams

Type of Bank & PSL Reforms-2020:	Before	After
Indian Scheduled Commercial Banks (SCB: अनुसूचित वाणिज्यिक बैंक) and Foreign Banks in India with 20 or more branches	40%	same 40%
Foreign Bank in India with <20 branches (विदेशी बैंक)	40%	same 40%
Regional Rural Banks (RRB: क्षेत्रीय ग्रामीण बैंक)	75%	same 75%
Small Finance Banks (SFB: लघु वित्त बैंक)	75%	same 75%
Urban Cooperative Banks (UCB: शहरी सहकारी बैंक)*	40%	↑75%
Rural Cooperative Banks (ग्रामीण सहकारी बैंक)	N/A	N/A

- ⇒ These quotas implemented in a gradual/phase-wise manner by 2025-26. (Separate Deadline for different-different types of bank. Exact dates NOT.IMP.)
- ⇒ Internal quotas may be different for these Banks e.g. RRBs: Weaker section =15%. But, poor cost-benefit in chasing all that information. # ⏰📖 थोड़ा-पढ़ो-आगे-बढ़ो

12.22.2 🐼📢🌱 PSL Reforms-2020: Startups, Renewable Energy and Healthcare

Outdated/technical for exam cycle, so removing from latest handout.

12.22.3 🐼📢🌱 PSL Reforms-2020: Weightage to poor districts (गरीब/पिछड़े जिलों को भारांक)

RBI will classify the districts based on previous PSL loans given by all banks. Then RBI will encourage banks to give PSL-loans to backward districts. This will help in more balanced regional development. (क्षेत्रीय रूप से संतुलित विकास में यह कदम फायदेमंद होगा.) **How? Watch video.**

AB CD ? MCQ. Priority Sector Lending by banks in India constitutes loans to _____. (Pre-2013)

- a) Agriculture b) Micro and Small Enterprises c) Weaker Sections d) All of the above

12.22.4 🐼👤🌱 PSL Shortfalls: RIDF and UIDF

- ⇒ If a bank can't fulfill its PSL-quotas then such Underachiever bank will have to deposit PSL-shortfall money to NABARD's Rural Infrastructure Development Fund (RIDF), or other funds under SIDBI, National Housing Bank (NHB), MUDRA Ltd. etc as per the norms decided by RBI from time to time. (लक्ष्यों को हासिल नहीं कर पाने वाली बैंक ने आरबीआई द्वारा चिन्हित अलग-अलग संस्थाओं में पैसा निवेश करना पड़ेगा)

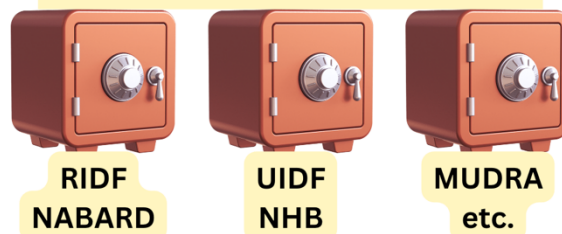


⇒ Underachiever bank will earn interest from such deposited money, but it'll be (usually) linked with Bank-Rate & their money will be locked-in a long-term project. (पैसा लंबे समय तक अटक जाएगा)

40% of the loans must to go farmer, weaker section etc. for priority sector lending (PSL)



ELSE Banker required to deposit shortfall money in various funds as per RBI orders....



⇒ 🏠 Budget-2023: announced setting up one more such fund called UIDF

	Rural Infrastructure Development Fund (RIDF)	Urban Infrastructure Development Fund (UIDF: शहरी बुनियादी अवसंरचना विकास निधि)
When?	1995-96	2023-Budget
Where?	under NABARD- National Bank for Agriculture and Rural Development.	under National Housing Bank (NHB)
for What?	for Agriculture, Social sector and Rural connectivity projects.	for urban infra projects especially in ✓ Tier-2 cities (population from 50,000 to 99,999) and ✓ Tier-3 cities (pop frm 20,000 to 49,999).

12.22.5 🐼👉🏠: Priority Sector Lending Certificates (PSLC) from 2016 onwards



Figure 7: भाई आमिर/Rancho हमने अपना assignment नहीं किया, तू अपना "EXTRA-walla" हमें बेच दे! (img source-3 idiots movie)

- In this arrangement, the overachieving Banks can sell their excess PSL in form of 'certificates' to underachieving banks. (लक्ष्यों से ज्यादा उपलब्धि हासिल करने वाली बैंक, अन्य जरूरतमंद बैंक को सर्टिफिकेट बेचती)
- If an underachiever bank can't fulfil its PSL-quota through PSL-certificates purchase then ultimately, it'll have to deposit PSL-shortfall money to RIDF, UIDF etc funds, as explained in the previous section.

AB CD ? Which of the following is not an instrument of Selective Credit Control? (Pre-1995)

- a) Regulation of consumer credit b) Rationing of credit c) Margin requirements d) CRR

AB CD ? An increase in the Bank Rate generally indicates that _ _ _ (Pre-2013)

- (a) Loan interest is likely to fall. (b) RBI is no longer making loans to commercial banks.
(c) RBI is following easy money policy. d) Central Bank is following tight money policy.



12.23 📢👁️💬 MONETARY POLICY TOOLS: A READY RECKONER TABLE

Table 6: समझ में आ गया हो तो बढ़िया है, नहीं तो रट्टा मारो जिंदाबाद (If understood then well & good, else memorize by Rot-Learning)

Tools & Strategy?		<2%CPI= Fight deflation (अपस्फीति)	>6%CPI= Fight Inflation (मुद्रास्फीति)
Deflation: ↑ money supply, inject liquidity=> make loans cheaper, ↑ consumption Inflation: Do reverse		Easy, Cheap, Dovish, Expansionary policy. आसान-सस्ता व्याजदरे, विस्तारवादी	Tight, <u>Dear</u> , Hawkish, Contractionary तंग- मँहगी व्याजदरे, संकुचनवादी
Quantitative	Reserves: CRR, SLR	↓ (Decrease)	↑ (increase)
	Key Rates (Repo, MSF, Bank Rate)	↓ (Decrease)	↑ (increase) मँहगाई से लड़ना है तो रेपो दर बढ़ा दो
	Reverse Repo, SDF	↓ (Decrease) – so banks feel less motivation to park ₹ in RBI & they become more proactive to give loans to people → ↑ demand → deflation fought	↑ (increase) : so banks feel more motivation to park ₹ in RBI → ↓ loanable funds to people → ↑ loan interest rate → ↓ demand → inflation fought
	Market Ops (OMO)	OMO: RBI Buys G-Sec from market.	OMO: RBI Sells G-Sec
Qualitative Tools	Moral Suasion / Direct Action	Nudge / Force the banks to enforce Dovish Policy	Enforce the Hawkish policy
	Margin Requirement / Loan to Value (LTV)	Increase e.g. Gold-LTV: 60% → 90%	Do reverse of left cell.
	Selective Credit Control / Priority Sector Lending (PSL)	↑ loan-flow to sectors that can generate employment e.g. textile → workers buying more → demand / consumption increased → deflation fought. लोन का बहाव कुछ ऐसे क्षेत्रों में करो कि रोजगार निर्माण हो और वह सब मजदूर खरीदारी करें ताकि अर्थतंत्र में मांग बढ़े	↓ the loan-flow to sectors where speculative investment is leading to demand-side inflation e.g. real estate & housing. ↑ loan-flow to sectors where loans can ↑ supply e.g. onion farmers.

MCQs usually confined to how can CRR,SLR,Repo & OMO be used for inflation / deflation control. For rest of the tools you need not waste time thinking 500-jaat-ke-combinations and Birbal-Khichdi.

AB CD ? If RBI adopts an expansionist monetary policy, which would it not do ? (Pre-2020)



(1) Cut and optimize the SLR (2) Increase MSF (3) Cut the Bank Rate and Repo Rate

Answer Codes: [a] 1 and 2 only [b] 2 only [c] 1 and 3 only [d] 1, 2 and 3

AB CD ? MCQ. Find Correct Statements: (Prelims-2022)

1. If the inflation is too high, Reserve Bank of India (RBI) is likely to buy government securities.
2. If the rupee is rapidly depreciating, RBI is likely to sell dollars in the market.
3. If interest rates in the USA or EU were to fall, that is likely to induce RBI to buy dollars.

Codes: (a) 1 and 2 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

AB CD ? MCQ. Which would lead to contraction of money supply in the economy? (CDS-2023-II)

1. Purchase of Treasury Bills by the central bank from public
2. Sale of Treasury Bills by the central bank to public
3. Sale of foreign exchange by the central bank
4. Purchase of foreign exchange by the central bank

Codes: (a) 1 and 4 only. (b) 1 and 3 only (c) 2 and 3 only (d) 2 only

12.24 📢 MONETARY POLICY IN PRESENT-DAY INDIA

There are 3 strategies / ways of making a monetary policy: (तीन तरीके से मौद्रिक नीति बनाई जा सकती है)

1. 🏦 **Exchange rate stability** (विनिमय दर स्थिरता): Singapore & other export-oriented economies use this. They try to keep their local currency at certain rate against US-dollar to boost exports.
(How? Ans 📄 Pillar#3)
2. 📊 **Multiple Indicators** (एकाधिक संकेतक): Central Bank tries to focus on Economic Growth, Employment, Inflation Control and Exchange rate stabilization. India's RBI followed this strategy upto 2016.
3. 🍎 **Flexible Inflation Targeting (FIT) / Price Stability** (मुद्रास्फीति लक्ष्यीकरण): Central Bank only aims to keep inflation controlled, THEN other indicators (growth, employment, exchange rate) will automatically fall in line. Model successful in Western nations → RBI's Urjit Patel Committee Report (2013-14) recommended it for India → adopted from 2016-October, by amending RBI Act Section 45. (2016 में रिज़र्व बैंक के कानून में संशोधन कर भारत ने यह रणनीति/तरीका अपनाया है)

12.24.1 📢 Monetary Policy Making under RBI Act since 2016

Table 7: composition of the 🏛️ statutory Monetary Policy Committee (MPC: वैधानिक मौद्रिक नीति समिति):

🐼 RBI side (3 members)	👑 Govt. Side (3 members)
1. RBI Governor, as the Ex-officio Chairman. 2. Dy.Governor responsible for Monetary Policy. Michael Patra (from 2020-Jan). 3. One person nominated by RBI Central Board: Mridul Sagar (Executive Director, RBI).	1. Ram Singh, 2. Saugata Bhattacharya 3. Nagesh Kumar (these new members came in 2024)



 RBI side (3 members)	 Govt. Side (3 members)
Their tenure tied with their ex-officio job tenure (पदेन कार्यकाल) E.g. IAS Shaktikanta's <i>shakti</i> (powers) gone after IAS Sanjay Malhotra replaced him in 2024-Dec.	Tenure: 4 years, no re-appointment. (4 साल का कार्यकाल और उसके बाद पुनःनियुक्ति असंभव)
RBI Governor & Dy.Gov are selected by Financial Sector Regulatory Appointment Search Committee (FSRASC) is headed by Cabinet Secretary (IAS)	They're selected by Search-cum-Selection Committee headed by Cabinet Secretary (IAS)

- Meeting quorum 4 persons, incl. Governor. (कार्यसाधक संख्या: कम से कम चार लोगों की हाजरी जरूरी)
- Legally required to hold min. 4 meetings in a year. (सालाना कम से कम 4 बार मिलना जरूरी)
- In practice, they meet every two months to decide bi-monthly monetary policy updates. (Although during 🤔 Corona-lockdown met more frequently).
- Repo=Policy rate= benchmark interest rate: decided by Majority vote. (मौद्रिक नीति दर बहुमत से तय)
- When they vote for the first time, all members, including the Governor, will vote. If tie → Governor can vote again for second time as casting vote (यदि मतों में बराबरी हुई, तो गुत्थी सुलझाने के लिए निर्णायक मत गवर्नर देंगे).
- To ensure **transparency / accountability** (पारदर्शिता / जवाबदेही):
- Govt can send message only in writing. (सरकार केवल लिखित में संदेश भेज सकती है)
- Committee must publish its minutes of the meeting on the 14th day, and "Monetary Policy report" at every 6 months.(नियत समय पर कुछ दस्तावेज प्रकाशित करने होंगे)
- 🎯 **Inflation target** decided by Union Government, after consulting with RBI Governor. (गवर्नर से विमर्श करने के बाद महंगाई नियंत्रण का लक्ष्य सरकार तय करेगी)
- 🎯 **Present target:** Keep Consumer Price Index (CPI:All India) within 2-6%.[alternate way of saying= 4% +/- spread of 2%] (More about CPI/Inflation in 📄 Pillar#4C)
- 📅 Target was Valid for: Originally from 2016-2020 (ending at 31/03/2021). Now same target extended till 31/3/2026.
- 🤖 **Target fail:** if inflation not kept in this 2-6% zone for 3 consecutive quarters (=9 months) then Committee must send report to Govt with reasons and remedies (यदि सतत नौ महीनों तक महंगाई इन सीमाओं के बाहर रही तो समिति की असफलता मानी जाएगी → असफलता के कारण-उपचार की रिपोर्ट रिज़र्व बैंक ने सरकार को भेजनी होगी).
- **2022-Nov:** the inflation has remained more than 6% for more than 9 months continuously so now the MPC committee drafting a report to Govt. But it is not released public domain yet.



12.24.2 ? MCQs on MPC

? MCQ. With reference to inflation in India, find correct statement: (Prelims-2015)

- a) Controlling the inflation in India is the responsibility of the Government of India only
- b) The Reserve Bank of India has no role in controlling the inflation
- c) Decreased money circulation helps in controlling the inflation
- d) Increased money circulation helps in controlling the inflation

? MCQ. Find correct statements about Monetary Policy Committee: (Prelims-2017)

- 1) It decides RBI's benchmark interest rates.
- 2) It is a 12-member body including the Governor of RBI and is reconstituted every year.
- 3) It functions under the chairmanship of the Union Finance Minister.

Codes: (a) 1 only (b) 1 and 2 only (c) 3 only (d) 2 and 3 only

? MCQ. Who is responsible for controlling inflation ? (Pre-2022)

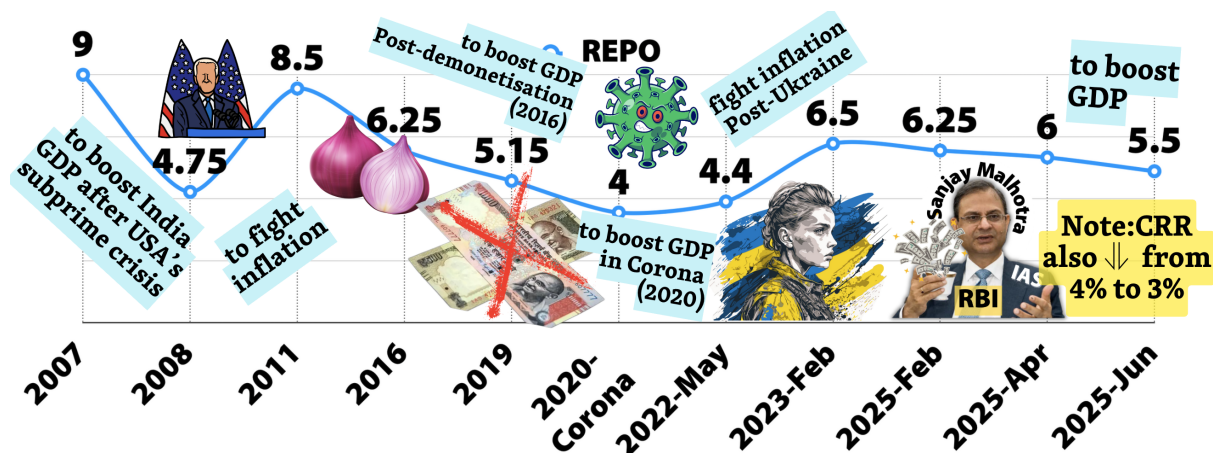
- (a) Department of Consumer Affairs (b) Expenditure Management Commission
- (c) Financial Stability and Development Council (d) Reserve Bank of India

? MCQ. Statement I: In India, Central Government determines the inflation target, in consultation with RBI, in terms of Consumer Price Index once in five years. (EPFO-2023)

Statement II: At present, the Monetary Policy framework in India is operated by Central Government.

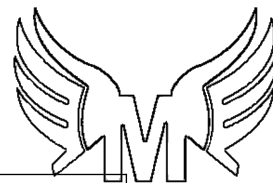
- a) Both I and II are correct and statement II is the correct explanation for statement I
- b) Both I and II are correct and statement II is not the correct explanation for statement I
- c) Statement I is right but II is wrong - d) Statement I is incorrect but statement II is correct

12.25 RBI'S MONETARY POLICIES TREND (2007-2025-JUN)



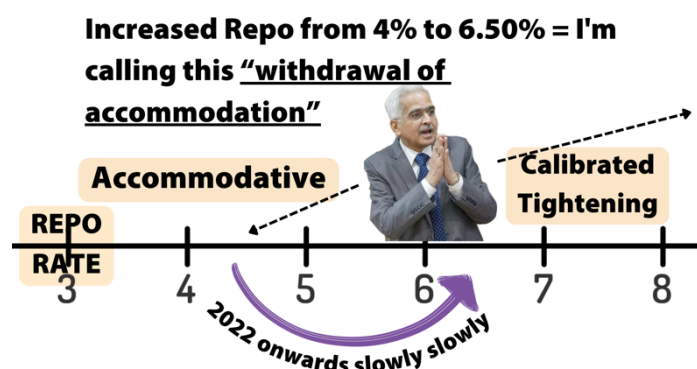
12.25.1 Stance: Calibrated Tightening / Neutral / Accommodative

After every meeting, RBI MPC will announce its stance i.e. What they'll do with Repo Rate in the next Meeting. (भविष्य की मीटिंग में रेपो दर के साथ क्या किया जाएगा, इसका इशारा/ संकेत दिया जाता है)



Stance= what RBI will do in next meeting	Will they hike/increase ↑repo?	Will they cut/decrease ↓Repo?	Will they hold/keep repo unchanged?
Calibrated Tightening	✅ Possible	👉 No they'll not cut	✅ Possible
Neutral	✅ Possible	✅ Possible	✅ Possible
Accommodative	👉 No they'll not hike	✅ Possible	✅ Possible

- ⇒ This provides guidance to the investors/borrowers/bankers about future action of RBI.
- ⇒ However, RBI MPC is not legally bound to follow the stance. E.g. Dec-2018 Governor Urjit-Patel led MPC announced Calibrated Tightening, yet in next meeting Feb-2019 Governor Shaktikanta led MPC decreased ↓ repo rate, because they felt it was necessary to combat deflation. (कानून रूप से बाध्य नहीं. कभी कभी समिति इसका उल्लंघन भी कर देती है)
- ⇒ 2022-May-June: Even though MPC said Accommodative Stance, still they kept increasing the Repo Rate to fight inflation.



Time	Comment
2022 onwards	"withdrawal of accommodation"
2024-Oct	Shifted to Neutral
2025-Apr	Shifted to Accomodative
2025-Jun	Shifted to neutral. Bcoz from 2025 Feb to June, we've already cut repo rate by 1%. We cannot reduce repo rate any further easily, ELSE loans will get too cheap, it will complicate inflation control and affect NIM (net interest margin) of bankers.

12.25.2 🐱🤖🔊 Governor's regulatory announcements are separate from MPC.

- Monetary Policy Committee (MPC) decides only Repo rate. Nothing else.
- Other decisions, such as CRR-SLR cut, PSL norms, banning magnetic-chip cards etc are decided separately alone by RBI Governor. The committee doesn't play role in it.



12.26 🗡️👉🏠🚗 BANKS' LENDING RATES % (बैंक ऋण की ब्याज दरें)

RBI's 6-member statutory MPC decides policy rate (=repo rate) to keep inflation within 2-6% CPI (All India) but who decides lending rates of individual banks, & how? Ans:

1969	Govt began nationalization of private banks, and 'administered interest rates' (प्रशासित ब्याज दरें) on them i.e. Govt would decide how much loan interest rate the banks should charge on borrowers?
1991	M.Narsimham suggested deregulation: Govt should not dictate / administer individual banks' interest rates. RBI should only give methodology to banks. (सरकार ने अपने मनमाने ब्याज दर थोपने नहीं चाहिए)
2003	RBI introduced Benchmark Prime Lending Rate (BPLR) system
2010	- RBI introduced formula "BASE Rate + formula = bank's loan interest rate"; - update frequency on individual banks' discretion (अपनी मर्जी/ विवेकाधीन). So, it did not help transmission of monetary policy much. - So, Even If RBI reduced repo rate, the banks would not update their formula figures regularly. रिजर्व बैंक ने अपनी रिपो दर कम करी किंतु बैंकोने लोन सस्ते नहीं किए 🤔
2016	⇒ RBI introduced formula "Marginal Cost of Funds based Lending Rate (MCLR) + Spread" system. (how exactly it worked? Outdated info. NOT IMP) ⇒ 🤔 Limitation? From January to Oct 2019, RBI ↓ repo rate by 1.35% but banks reduced their loan interest rates by merely 0.40%. ⇒ Thus, even though RBI reduced its repo rate, banks are not quickly reducing their loan interest rates. So MCLR system was ineffective. (रिजर्व बैंक ने अपनी रिपो दर कम करी किंतु बैंकोने लोन सस्ते नहीं किए, इसलिए ये प्रणाली प्रभावी नहीं) ⇒ Note: MCLR is not illegal / discontinued YET. e.g. if client had taken a 25 years home-loan in 2016, then MCLR continues for him in 2024-25 also.
2019	⇒ MCLR didn't deliver result as per RBI's expectation so RBI launched External Benchmark formula.

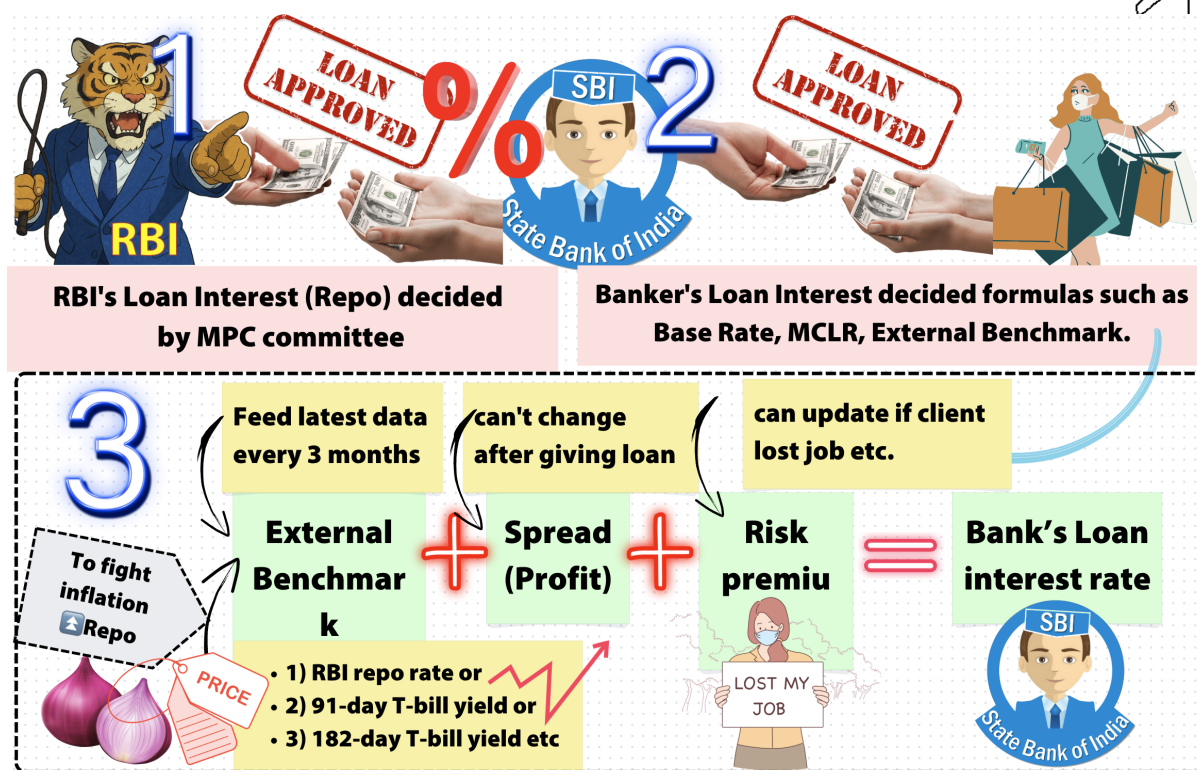
12.27 🗡️👉🏠🚗 BANK'S LOAN INTEREST RATE: EXTERNAL BENCHMARK (बाहरी बेंचमार्क)

External Benchmark + Spread(Profit) + Risk premium = Bank's Loan interest rate.

12.27.1 🗡️👉🏠🚗 External Benchmark: Formula Components:

Individual bank free to pick any one External Benchmark such as

- (1) RBI repo rate or 91-day T-bill yield or (2) 182-day T-bill yield or
 - (3) any other benchmarks by an organization named Financial Benchmarks India Ltd.
- ⇒ Banks must feed the latest data of external benchmark in above formula, atleast once **every three months**. (हर 3 महीनों पर फार्मूला में नए आंकड़े डालने होंगे)
- ⇒ So both fresh and old/existing borrowers will benefit (e.g. if repo rate decreased).. तो मान लीजिए रेपो दर सस्ती हुई होगी → नए और पुराने लोन ग्राहकों को उस सस्ते ब्याजदर का फायदा मिल जाएगा)



12.27.2 🏠🚗🛒 External Benchmark system: Which borrowers eligible?

1. Personal loans (taken for any sudden emergency expenditure)
2. Retails loans (home, vehicle, electronics etc)
3. Loans to micro & small enterprises
4. Loans medium enterprises (this 4th category is to be added from 2020).
5. It is applicable to old/previous loans in above categories, if borrower fills the application form.

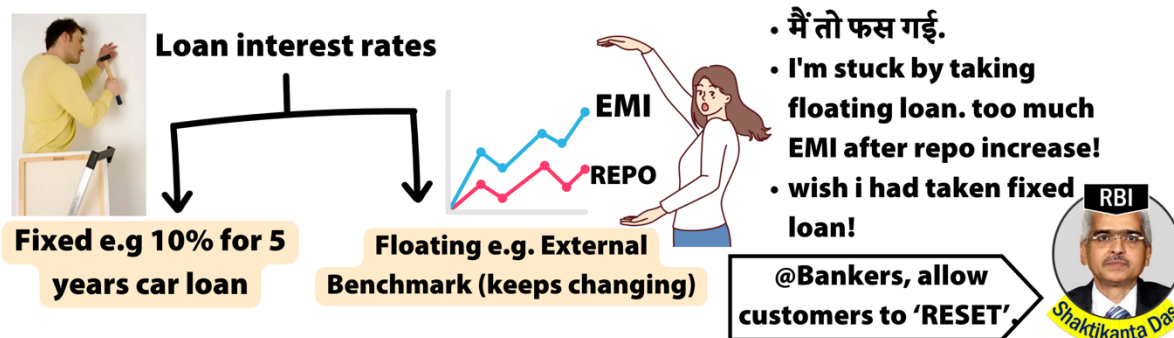
😊😊 **External Benchmark Benefits?** = Better/faster transmission of Monetary Policy; transparency & accountability to borrowers. (मौद्रिक नीति का प्रभावी प्रसार में, लोन ग्राहकों के प्रति पारदर्शिता और जवाब देही)

12.27.3 🏠🚗🛒🚩 External Benchmark system: FAQ

- ⇒ 🚩 FAQ: Can existing existing/old borrowers benefit? Answer is within the handout if you read it carefully.
- ⇒ 🚩 FAQ: Can bank change external benchmark indicator after giving loan? Ans. Watch Video
- ⇒ 🚩 FAQ: Can bank change the spread(Profit) in the formula after giving loan to a client? Ans. Not allowed to change. (and this is not imp for exam)
- ⇒ 🚩 FAQ: Can bank change the "Risk Premium" in the formula after giving loan to a client?
Ans. Yes e.g. Govt employee thrown out of job after getting loan, then banker may ↑ the risk premium on him because now he's jobless so the risk probability of his loan default ↑. (and this is not imp for exam)



12.27.4 🚗📈 Interest Rate Reset of EMI based Floating Interest Loans



- Between 2020 to 2023, the repo rate increased from 4% to 6.50% - consequently the EMI burden increased for the external benchmark rate based loans.

So, RBI wants bankers to give option to borrower after every change in such floating interest loans:

- A) Ability to RESET i.e. switch from floating (external) rate to fixed rate loans.
- B) Foreclosure of loan. Meaning, full repayment of your remaining loan amount in one single payment instead of paying multiple EMIs. Benefit? LESS burden of compound interest (byaa-pe-byaa) in monthly instalments.

🧑🏻💡 FAQ: Will this not be misused by the borrower IF he RESETS his fixed/floating loan every time it becomes unfavourable to him after change in REPO?

Ans. There will be max. limits on how many times 'reset' can be done throughout the loan period.

12.27.5 📅💰 Loan repayment: Bullet repayment vs EMI

Type	Equated Monthly Instalment (EMI)	Bullet repayment
Principal & Interest Repaid in	in Monthly basis pe installments	in a single instalment, at the end of a loan tenure.

12.27.6 Banks' Loan Rates % → Fixed vs Floating interest loans, teaser loans, NPA etc.

Refer to 📄 Pillar1B-2: burning issues → NPA

12.27.7 Relationship between deposit rate and repo rate

Normally, if RBI increases repo, then eventually banker forced to increase deposit interest rates.

Although, it is not legally required.



MCQ. Which of the following indicators is/are used to observe the monetary transmission mechanism in the economy? (CDS-24-i)



1. Weighted average lending rate
2. Weighted average domestic term deposit rate
3. 1-year median MCLR
4. SDF rate

Codes: (a) 1 and 2 only (b) 1, 2 and 3 (c) 3 and 4 (d) 4 only

💡 **Hint:** in simple terms, we want to check if deposit/lending rates changed or not, after change in RBI's repo etc tool? So st1 and st3 will help. Eliminate options accordingly.

12.27.8 Weighted average lending rate

definition /formula not imp for exam but since some people will eat my brain so e.g. If banker gave bike loan of ₹1 lakh for 15% and a home loan of 20 lakh at 8% then what is the average loan rate?

Learn from CSAT 'weighed average' topic classes.

12.28 🦁🚧 LIMITATIONS OF MONETARY POLICY IN INDIA (मौद्रिक नीति की मर्यादाएँ)



Figure 8: मैं काम तो कर रहा हूँ, लेकिन उसकी सकारात्मक असर, अर्थव्यवस्था पर दिख नहीं रही। 🤔

Even though monetary policy updated is every 2 months, its efficacy in controlling inflation & boosting growth is restricted by following factors: (मौद्रिक-नीति मंहगाई-नियंत्रण और आर्थिक वृद्धि में असरकारकता नहीं दिखा पायी क्योंकि:)

- 1) 🤖 Western countries' households → consumerist lifestyle → don't save large amount of money in Banks. So their banks borrow more quantum of money from US Federal reserve and European Central Bank respectively. Whereas in India, Repo is not major source of funds for Indian banks, due to higher level of savings & deposits. (पाश्चात्य देशों में उपभोक्तावादी जीवनशैली. जबकि भारतीयों में बैंक-बचत की भावना के चलते हमारे बैंकों के लिए आरबीआई के रेपो लोन, पैसों का मुख्य स्रोत नहीं है। अतः रेपो दर सस्ते होने पर भारतीय बैंकों को खास फर्क नहीं पड़ता।)
- 2) 🤖 Before the External Benchmark System: Indian **Banks did not immediately** pass on the RBI rate cuts to customers, citing NPA/Bad loans / profitability problem. According to RBI's own research, it took minimum 6-12 months for repo rate cut to benefit end-customers and it took about 24 months for repo rate changes to impact inflation. (बाहरी-बेंचमार्क से पहले के समय में, भारतीय बैंक तुरंत अपने ब्याजदर कम नहीं करते थे।)
- 3) 🤖 Poor management in Public Sector Banks (PSB), scams in the private sector banks, large level of Non-Performing Assets (NPA) also stymie the impact of monetary policy. (सार्वजनिक क्षेत्र के बैंकों में बेअसर प्रबंधन, निजी क्षेत्र के बैंकों में चोटाले, अनर्जक परिसंपत्तियाँ) 📄 **More in Pill1B2**



- 4) 🤖 **Supply Side Issues:** El-Nino/Poor monsoon hurting crop production → food inflation; Wars & Geopolitical issues ↑ global crude oil & raw material prices, protectionism by China-US denting our exports. RBI can't control them. (कम बारिश + मध्यपूर्व की भूराजनीतिक तनाव= भारत में कच्चे माल की आपूर्ति को असर करते हैं, चीन-अमरीका का संरक्षणवाद भारतीय निर्यात में बाधा डालता है। इन्हें नियंत्रण में रखना आरबीआई के लिए मुश्किल।) 📖 **Refer Pill3&4A**
- 5) 🤖 While cheap loans can boost consumption, investment and growth but because of poor-monsoon-fear and oil-price fear, RBI (during Raghuram Rajan and Urjit Patel's governorships) was usually apprehensive of inflation and more inclined to keep repo rate high. Then RBI was get criticized for not facilitating cheap loans & economic growth because of its 'Hawkish policy'. (महंगाई-नियंत्रण के चक्कर में कभी कभी खुद रिजर्व के मंहगे रिपो-ब्याजदारां ने अर्थतन्त्र को आगे बढ़ने से रोका है।)
- 6) 🤖 **Government Side Issues:** Fiscal deficit, Subsidy leakage, Populist Loan-waivers etc. (राजकोषीय खाध, सबसिडी का रिसाव, लोकलुभावन के लिए किसानों की ऋण-माफी) 📖 **Pill#2D → FRBM Act**
- 7) 🤖 **Structural Issues in Economy:** lack of Ease of Doing Biz, electricity-road infrastructure = production /supply affecting inflation trends. (व्यापार में सुगमता की कमी, बिजली-सड़क की अवसंरचना आदि बुनियादी मसलों के चलते उत्पादन/आपूर्ति की कमी। रिजर्व बैंक जादू की छड़ी चलाकर इसे दुरुस्त नहीं कर सकता) 📖 **More in Pill4B&5**
- 8) **Lazy Banking** = If bankers do not put enough efforts to find loan clients, then money-multiplier will not improve.
- 9) 🤖 Presence of **Informal moneylenders** in rural areas who circulate black money at exorbitant interest rates. Poor penetration of banking sector, lack of financial inclusion in rural economy etc. (ब्याजखोर/साहूकार जो कालाधन ऊँचे ब्याज पर घुमाते हैं, सभी गरीबों के वित्तीय समावेशन की कमी, नगदी मुद्रा पर ज्यादा आधीन है हमारी ग्रामीण अर्थव्यवस्था। रिजर्व बैंक रेपो दर कम भी करें, इधर कुछ फर्क नहीं पड़ता) 📖 **More in Pill1D**

12.28.1 🤖📈 **Monetary policy - target failed in 2022?**

Yes, bcoz 2022-Jan to Nov, the CPI remained > 6% for more than 9 months.

More about inflation in Pillar4E: macroeconomic indicators – inflation.

MCQ. Consider the following statements: (Prelims-2023)

st-I: In the post-pandemic recent past, many Central Banks worldwide hiked interest rates.

st-II: Central Banks generally assume that they have the ability to counteract the rising consumer prices via monetary policy means.

Which one of the following is correct in respect of the above statements?

- (a) Both st-I and st-II are correct and st-II is the correct explanation for st-I
 (b) Both st-I and st-II are correct and st-II is not the correct explanation for st-I
 (c) st-I is correct but st-II is incorrect (d) st-I is incorrect but st-II is correct

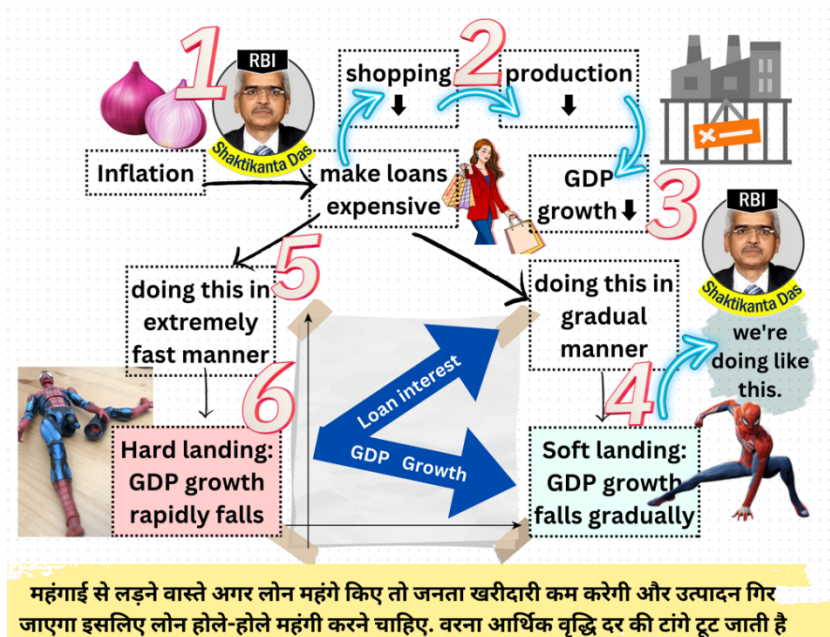
12.28.2 🤖📉 **Monetary policy limitations: Black Swan Events**

- A Black Swan Event means an unprecedented unexpected extreme risk event e.g. 2007's USA sub-prime crisis, 2020's Corona. (ऐसी अप्रत्याशित घटना जिससे अर्थतन्त्र को बहुत नुकसान हो जाता है)



- Black Swan Theory given by author Nassim Nicholas Taleb in book- The Black Swan.

12.28.3 🐼 📊 Monetary Policy: Soft landing vs Hard Landing



🧑🏻♀️ What does above chart mean? Ans. Explained in the video lecture 📺

12.28.4 🐼 📊 Monetary policy limitations: Cantillon Effect

CANTILLON EFFECT

1 if RBI increased money supply by Rs.1000

2 how will this money get distributed?

	Rich	Middle Class	Poor
Expectation	333.33	333.33	333.33
REALITY (Cantillon Effect)	800	190	10

3 ↑ demand of the goods/services used by Rich people e.g. bungalows → price of bungalows ↑

4 now i want to buy it, but it's very expensive. 😞😞

⇒ Concept given by the 18th century French economist Richard Cantillon.

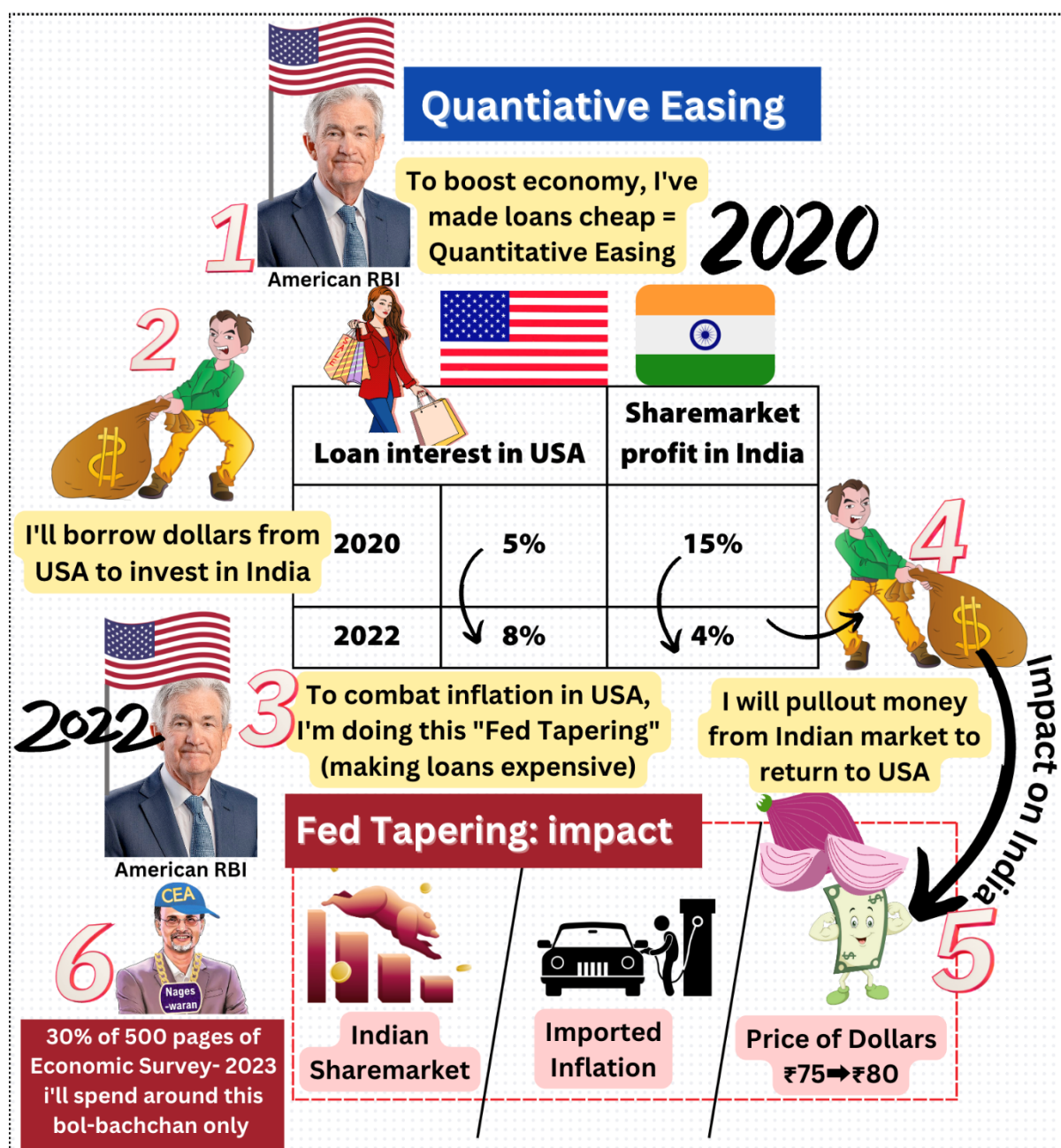
⇒ When the money supply is increased, the purchasing power of people who first receive the freshly-created money is increased at the cost of the rest of people. (लोन जब सस्ता होता है तो अमीर लोग ही ज्यादा लोन अपने कब्जे में लेके कोठी बंगलो के दाम बढ़ा देते हैं)

⇒ It could also result in **Stagflation**= high inflation, high unemployment and low growth. (REF Pillar4D GDP For more) (अंततः उच्च महंगाई दर, उच्च बेरोजगारी दर हो सकती है और आर्थिक वृद्धि दर में गिरावट हो सकती है)

⇒ What does it mean? Ans. Watch video lecture.



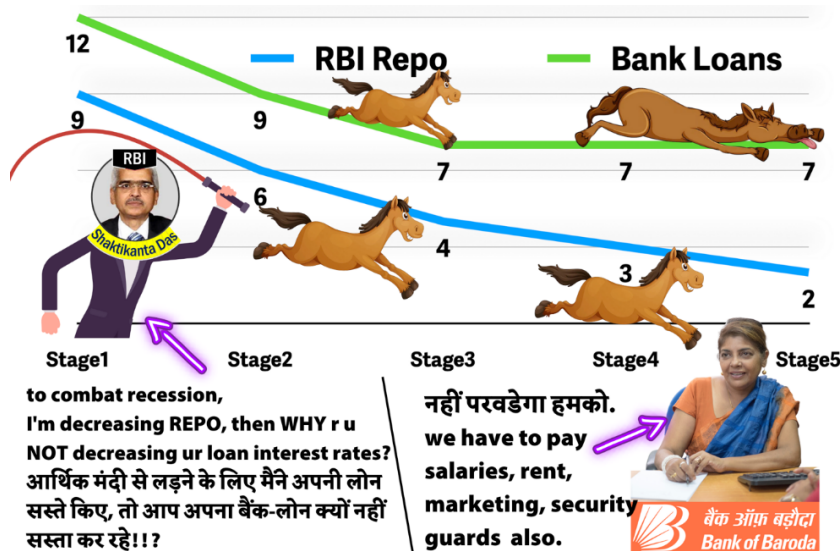
12.28.5 🇺🇸📢📈 USA Quantitative Easing (QE) & Fed Tapering : Impact on India



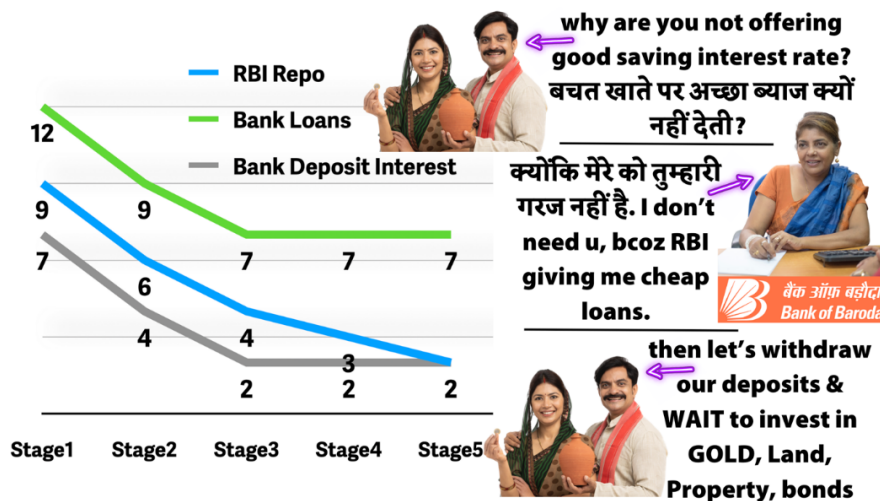
FAQ: What does above chart mean? Ans. Explained in the Video lecture.

12.28.6 💧🕸️ Liquidity Trap (तरलता जाल)

- Term was first used by economist John Maynard Keynes. Concept explained through the comix given below. For more details, watch lecture.



This results into



Result? speculative demand of money = infinite ∞

Finally

hello sir, calling from Bank of Baroda. Very attractive loan offer for you!

recession / slowdown in economy. i lost my job/biz. I don't want your loan because I can't repay.

i've increased money supply then why is loan interest not decreasing?

Ans. because of Liquidity TRAP

बैंक ऑफ बड़ौदा
Bank of Baroda

12.28.7 🧑‍🎓 FAQ: Liquidity trap and liquidity overhang confusion / compare contrast

- look at these two topics at separate photo-frames. don't cook Khichdi by mixing them.
- Mains = separate course for it. 📄 NEXT HDT: Pillar1B1- Classification of Banks and NBFCs



Pillar#1B-1: Classification of Financial Intermediaries: Bank & NBFC

► **FAQ: This handout is very lengthy, contains lot of Banking GK** !!.

Ans. (1) UPSC gotten into bad habit of asking factual GK (2) Some Banking-GK for helping UPSC aspirants trying for Bank-exam as backup/Plan-B. Then, which GK is imp/notimp for UPSC = Watch lecture/PYQs, you'll get idea.

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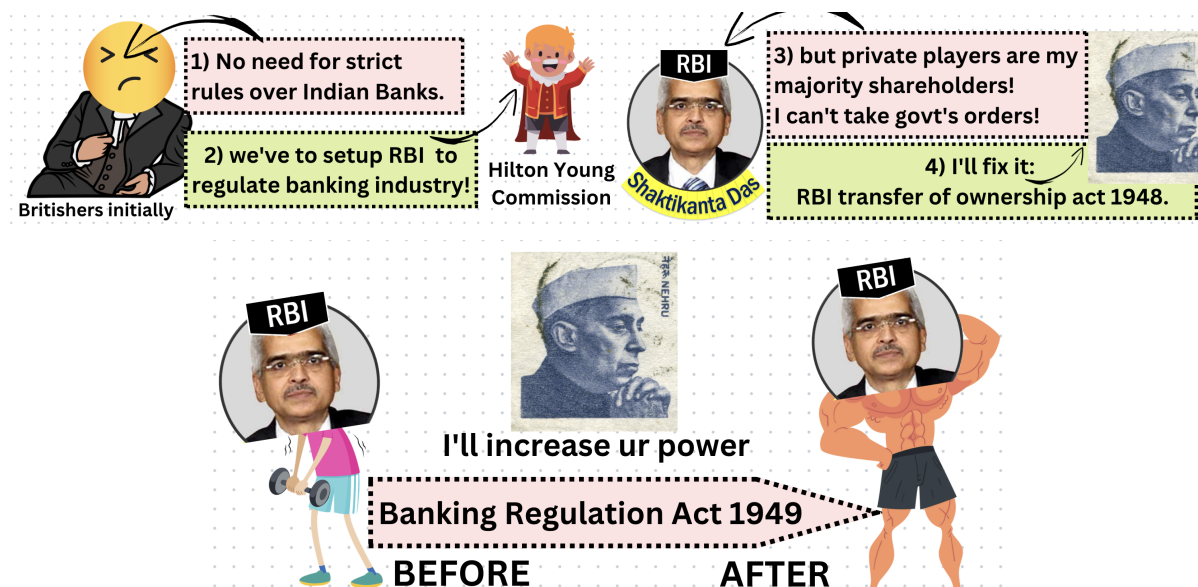
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13 FINANCIAL INTERMEDIARIES → BANKS

- A Financial Intermediary is an entity that acts as the middleman between two parties in a financial transaction- between lenders vs. borrowers, investors vs. entrepreneurs, households vs business firms. (FI: वित्तीय मध्यस्थ)
- Such FI can be subdivided into (1) Formal (औपचारिक) (2) Informal (अनौपचारिक). But presently we'll focus on Formal Financial intermediaries

13.11 BANKS → RESERVE BANK OF INDIA (RBI): भारतीय रिजर्व बैंक



1913	Commercial banks were required to register under the Companies Act, but monitoring was lax. No CRR, SLR, BASEL Norms. (उन पर पहले नियम सख्त नहीं थे)
1926	Royal Commission on Indian Currency (Hilton Young Commission) recommends setting up a central bank named 'Reserve Bank of India'. (एक ब्रिटिश आयोग ने सिफारिश की)
1929	Great Depression in USA leads to collapse of 450+ banks in India. So British Indian Govt becomes serious for setting up RBI. अमेरिकी महामंदी के बाद केंद्रीय बैंक की स्थापना की आवश्यकता महसूस हुई
1934	Reserve Bank of India Act was enacted. (इसकी स्थापना के लिए कानून बनाया गया)
1935, April	RBI becomes operational from 1 st April, with 1 st Governor Sir RBI Gov: Osborne Smith. India's Viceroy: Willingdon. Government ownership was ~4.4% only.
1935, July	Commercial Banks fulfilling certain conditions were listed in the 2 nd Schedule of RBI Act, & such "Scheduled Banks" were required to keep CRR with RBI.
1943-49	C.D. Deshmukh 2 nd FM of India becomes the first INDIAN Governor of RBI. He had also participated in the Bretton Woods Conference, USA (1944).
1948-49	All private investors' shares transferred to Govt of India under the RBI transfer of ownership act 1948. Therefore, RBI governor answerable to Parliament, has to pay dividend to Govt from its profits. (रिजर्व बैंक अपने मुनाफे में से सरकार को लाभांश वितरण करता है)
1949	Banking Regulation Act (बैंकिंग विनियमन अधिनियम) empowered the RBI to



	⇒ Give license to companies to open banks, ⇒ Give permission banks to open new branches. ⇒ Prescribe auditing norms, liquidity norms for Banks such as SLR. ⇒ Protect interest of depositors. Force elimination / merger of weak banks. ⇒ Related Topic: banking regulation ordinance 2020 → Pillar#1B2: Bad loans & other burning issues in the banking sector.
--	--

MCQ. Which was the earliest event to take place? (UPSC Prelims-2009)

- A) Nationalization of insurance companies B) Nationalization of State Bank of India
C) Enactment of Banking Regulation Act D) Introduction of first Five year plan

13.11.1 RBI Central Board Composition

(Non-Official Directors)	(Official Directors)
- 2 Government officials - 10 directors nominated by Government. - 4 directors from RBI's local boards @West, East, North, South	- RBI Governor - 4 Dy. Governors

13.11.2 RBI Governor & Dy Governor

- RBI Act (Section 8) provides for "NOT MORE than 4" Dy. Governors.
- They're selected by Financial sector regulatory appointment search committee (FSRASC) headed by the Cabinet Secretary (IAS) → successful candidates' names sent to Appointments Committee of the Cabinet headed by the Prime Minister for final approval.
- Governor and Dy.Govs' tenure *usually* (not always) 3 years. Re-appointment is possible.

13.11.3 RBI Governor name GK

⇒ Following table is less imp for IAS, but more imp for banking exams.

Sr.	Notable Governors	Era
1st	Sir Osborne Smith (1st Governor)	1935–37
3rd	Sir C. D. Deshmukh (1st Indian Gov. Also in Bretton Woods (Ref: Pill#3B)	1943–49
13	M. Narasimham (Later headed Banking sector reforms in 90s). 1st RBI officer to become Governor	1977
15	Manmohan Singh (served as Chief Eco.Advisor, Finance Minister & PM)	1982–85
23	Economist Raghuram Rajan (Introduced Payment Banks & Small finance Banks. Proposed 2–6% CPI Inflation Target system)	2013–16
24th	Economist Urjit Patel (Demonetised ₹ 500-₹ 1000. Resigned, ref Pill#1B2 for more)	2016–18
25th	Shaktikanta Das (IAS, withdrew ₹2000 currency notes, Also member of 15th Finance Commission)	2018–24



26th Sanjay Malhotra (IAS)

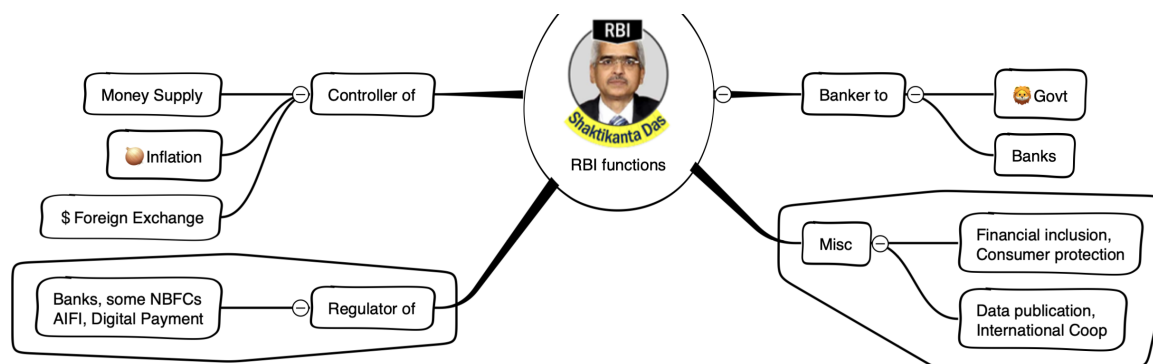
2024-Dec se 3 yrs

Related Topics: RBI Autonomy, Dividend Controversy, Section 7, PCA/BASEL:
[Handout 1B2 → Burning Issues in Banking Sector]

13.11.4 ₹ RBI Offices & Departments

- RBI 4 regions: Northern: Delhi, Eastern: Kolkata, Southern: Chennai, Western: Mumbai
- RBI has various dept after Banks, NBFCs, Payment Systems, Foreign Exchange Management etc.

13.11.5 ₹ RBI: Functions of

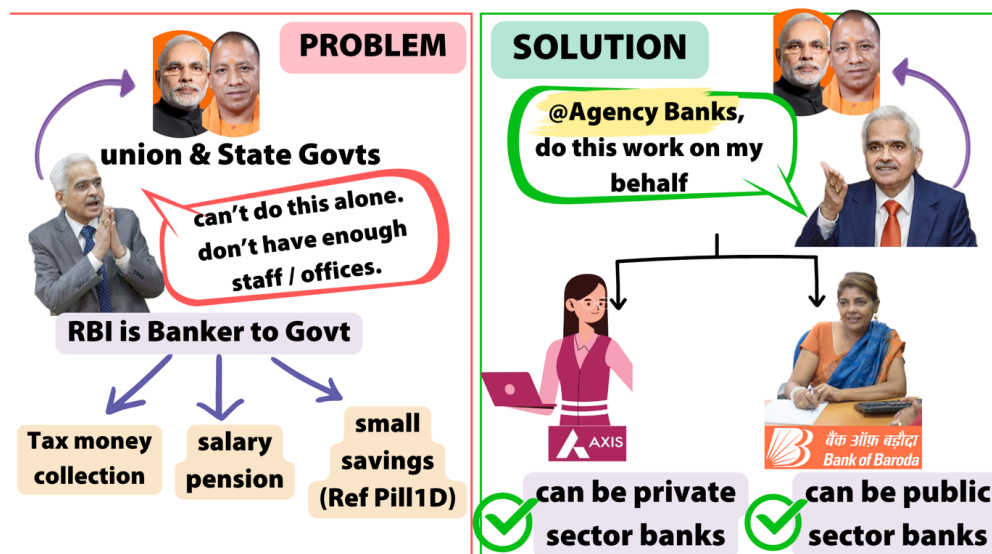


- 1) **Controller** of Money Supply: Issues M0 under RBI Act, Makes Monetary Policy. (more in Pillar#1A2) (मुद्रा आपूर्ति नियंत्रक)
- 2) **Controller** of Foreign Exchange: through FEMA Act. (विदेशी मुद्रा का नियंत्रक, more in Pillar#3)
- 3) **Banker** to Union & State Governments & Public Debt Manager (सार्वजनिक ऋण प्रबंधक).
- 4) **Banker's Bank**: Lender of Last resort, Advises in monetary matters.
- 5) **Regulator** of all "BANKS": through BR Act'49, Payment Systems'07 (नियामक)
- 6) **Regulator** of AIFI, NBFC-D (Deposit Taking NBFC) & others.
- 7) **Promotional** Roles (संवर्धक भूमिका):
 - a. Customer protection through Ombudsman (शिकायत निवारण अधिकारी),
 - b. Financial Inclusion through PSL norms. Requires bank to open 25% of branches in rural areas
- 8) Data Publication & awareness e.g. Annual Financial Stability Report (वार्षिक वित्तीय स्थिरता रिपोर्ट)
- 9) International Cooperation e.g. BASEL, IMF, G20's Financial Stability Board etc.
 - a. E.g. 2021: RBI became member of "Network For Greening The Financial System (NGFS)". NGFS is a group of central banks to contribute to the development of environment. HQ: Paris, Foundation Year: 2017 (वित्तीय प्रणाली की हरियाली के लिए नेटवर्क- ताकि अक्षय ऊर्जा, पर्यावरण आदि को मदद मिले)

FAQ: **Article 371-F of Constitution gives special status to Sikkim, as a result their State Bank of Sikkim is outside RBI's regulation!!** Ans. Such JamesBond/obscure GK = poor cost benefit 4exam.



13.12 🏗️ AGENCY BANKS OF RBI



- 🧑‍🦰 **FAQ: How can a bank collect the tax? isn't it the work of the income tax officers?** Ans.
Yes, it is the function of income tax officer. But, Tax money is to be transferred from tax payers' bank account to govt's account. Agency banks deal with that aspect of money collection/storage/transfer work.

13.13 🐯🦋 RBI'S NOTABLE PORTALS

13.13.1 🐯🦋 UDGM Portal: Unclaimed Bank Deposits (2023)

- If deposits remain unclaimed for 10 years in a bank → banker need to transfer it to "Depositor Education and Awareness FUND" (DEA) OF RBI.
- 2023: RBI setup UDGM portal for it. (Unclaimed Deposits Gateway To Access inforMation)
- Beneficiary can easily search unclaimed deposits across multiple banks at one place. (e.g. by searching the Aadhaar card / PAN Card number of the dead parent etc.)

13.13.2 🐯🦋 PRAVAAH Portal for license from RBI (2023)

- Banks/NBFC/ Digital payment related companies need to obtain license from RBI.
- They can apply for such licenses using PRAVAAH Portal (Platform for Regulatory Application, Validation And AuthOrisation)
- 😍 Benefit? Ease of doing business. The entrepreneur does not have to visit RBI office offline multiple times.

13.13.3 🐯🦋 Daksh Web Portal for supervision (2022)

- Web system wherein Banks, NBFC send their reports to RBI
- Then RBI can monitor them more effectively. E.g. how many credit card frauds this month, new guidelines to prevent it etc.



13.13.4 🐯: 🦋 E-Kuber Portal

- Core banking solution (CBS) portal of RBI. All bankers have current accounts here.
- RBI handles NEFT/RTGS, Repo, OMO & other instruments from here. (Ref: Pillar#1A1&2)
- Retail Investors can buy G-Secs from here.

13.13.5 🐯📡 New domain names for Banks and NBFC by RBI

- Indian Banks ke liye 'bank.in' (e.g. [SBI.bank.in](https://sbi.bank.in))
- NBFC ke liye "fin.in" (e.g. [Bajajfinserve.fin.in](https://bajajfinserve.fin.in))
- Domain name registration will be done RBI's Institute for Development and Research in Banking' Technology (IDRBT)
- To be effective from April 2025. **Benefit?** Reducing phishing / Cyber frauds.

13.13.6 🐯📡 RBI&AI ☐ FREE-AI ethical framework (2024-Dec)

- Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI) in the Financial Sector
- RBI has setup committee under Prof Pushpak Bhattacharyya (IIT Bombay) for this.

13.13.7 🐯📡 RBI&AI → MuleHunter AI (2024-Dec)

- Money Mule / Mule Account means an innocent person's bank account which is used for laundering black money / routing stolen money (by Digital-Arrest fraudsters etc.)
- RBI's Reserve Bank Innovation Hub (RBIH) is developing MuleHunter AI

13.13.8 🐯: 🦋 RBI → cybersecurity → Digital Payments Intelligence Platform (2024)

- RBI to set up a Digital Payments Intelligence Platform
- Objective? reduce payment fraud risks by developing advanced technologies. RBI setup A.P. Hota committee for this.

13.13.9 🐯📡 RBI's Climate change portal - RBI-CRIS (2024-Oct)

- Reserve Bank Climate Risk Information System (RB-CRIS)
- to provide climate change and pollution related data to the bank/NBFCs.

13.13.10 🐯📡 RBI's sachet portal for investment frauds (2024)

- Have you lost money in investment schemes promising unrealistic returns?
- Lodge your complaints regarding financial matters on Sachet Portal sachet.rbi.org.in
- Complaints are redirected to concerned authorities e.g. if share market related fraud = SEBI

13.13.11 🐯📡 RBI's App/Portal: 'Connect 2 Regulate'

- This portal will help people to share their ideas and inputs to RBI.

13.13.12 🐯📡 RBI Podcast (2024-Dec)

- RBI to start Podcast facility for wider dissemination of information to general public.

📖 ? MCQ. RBI acts as a bankers' bank. What does it mean? (UPSC-Pre-2012)

- 1) Other banks retain their deposits with the RBI.
- 2) The RBI lends funds to the commercial banks in times of need.
- 3) The RBI advises the commercial banks on monetary matters.

Answer codes: (a) 2 & 3 only (b) 1 and 2 only (c) 1 and 3 only (d) 1, 2 and 3



AB CD ? MCQ. RBI regulates the commercial banks in matters of (Asked in UPSC-Pre-2013)

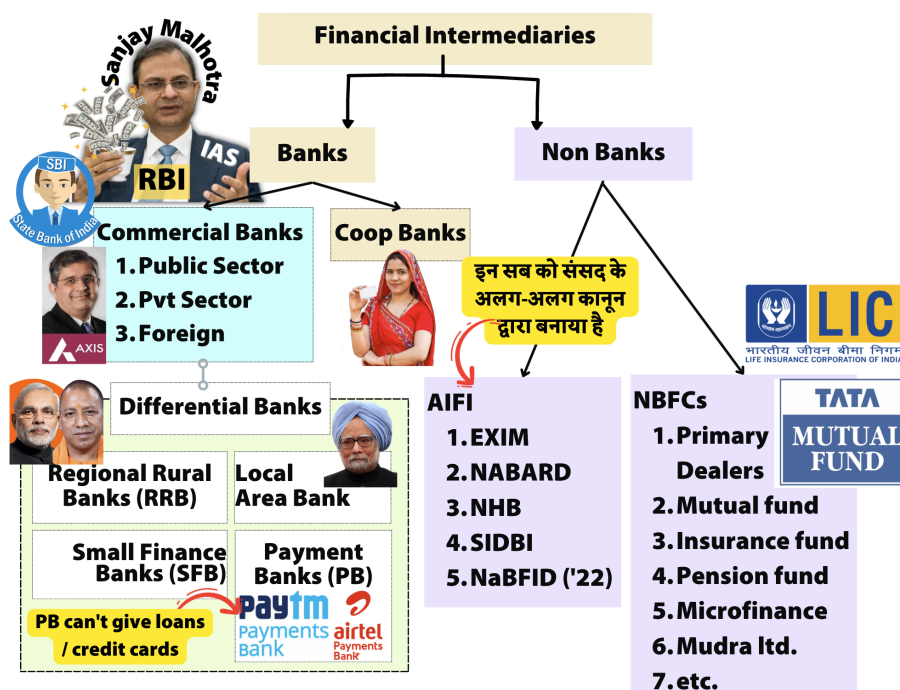
- 1) Liquidity of assets 2) Branch expansion 3) Merger of banks 4) Winding-up of banks

Answer Codes: (a) 1 & 4 only (b) 2, 3 & 4 only (c) 1, 2 & 3 only (d) 1, 2, 3 & 4

AB CD ? MCQ. In India, the central bank's function as the 'lender of last resort' means what? (केंद्रीय बैंक को अंतिम उपाय का ऋणदाता कहा जाता है इस शब्द का मतलब क्या है) (Prelims-2021)

- Lending to trade and industry bodies when they fail to borrow from other sources. [व्यापार औद्योगिक संस्थाओं को जब कहीं और से कर्ज नहीं मिले तो केंद्रीय बैंक कर्ज देता है]
- Providing liquidity to the banks having a temporary crisis. [अस्थायी संकट के दौरान बैंकों को तरलता देता है]
- Lending to governments to finance budgetary deficits [बजट घाटा पूरा करने के लिए सरकार को कर्जा देता है]

Codes: a) 1 and 2 b) 2 Only c) 2 and 3 d) 3 Only



13.14 🏠👤 SCHEDULED BANKS (अनुसूचित बैंक)

When RBI is satisfied with TWO conditions simultaneously (दो शर्तों का एक साथ पालन होना चाहिए)

- #1: That a public sector or pvt sector bank has (Paid Up Capital + Reserves^{#1}) = Min ₹5 Lakhs
- #2: Bank is not conducting business in a manner harmful to its depositors. (जमाकर्ताओं के हितों का नुकसान न हो इस हिसाब से बैंक अपना कार्य कर रहा है)

then such bank is listed in the 2nd Schedule of RBI Act → then it is known as a Scheduled Bank.

⇒ 🧐 FAQ: **What is paid up capital?** Ans. Explained in the video.

⇒ 🧐 FAQ: **Which reserves are included in this ₹5 lakh formula?** Ans. Routine books did not bother to elaborate so I did not bother to do Google search. Such technical things not imp4exam.

⇒ 🧐 FAQ: **“₹5 lakh is very small!!! It should be 📈 to ensure safety in bank”.** Ans 1) neither economic survey, NITI Aayog, Court-PIL, nor any big columnists have demanded reform here.



So we need not apply our brain here. 2) Send your suggestion to PM to amend the British Era provisions of ₹5 lakh from RBI Act. Until that happens, prepare the present facts.

⇒ 🧑🏻 FAQ: “**nowadays every bank will easily have five lakh rupees of deposits so automatically all bank will become schedule bank from DAY1!**” Ans. No. Because, RBI will also check condition#2. Usually RBI ticks condition#2 after observing bank for one year from its birth. So the Scheduled status will not be given on DAY1. (धंधा चालू करने की एक साल तक तो रिज़र्व बैंक उसका मुआयना करेगी की दूसरी शर्त का अनुपालन हो रहा है कि नहीं. पहले ही दिन से रिज़र्व बैंक उसको अनुसूचित नहीं बना देगी।)

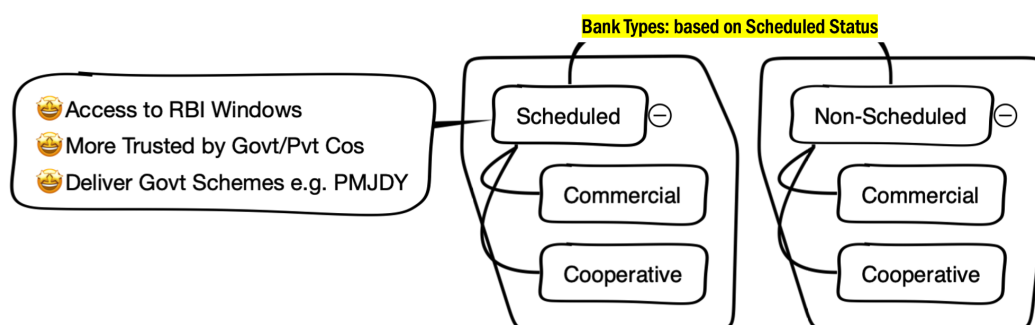


6 Q1) he already had ₹500cr then he'll become Scheduled Bank from Day1.

Q2) ₹5 lakh limit too small. It should be increased!

Ans1. No. RBI will watch his condition#2 also- for some months/years.

Ans2. tell Govt to amend RBI Act 1934



🐾 Scheduled Bank (अनुसूचित बैंक)	🐾 Non-Scheduled Bank (गैर- अनुसूचित)
Can be subdivided into two parts	Many cooperative banks are non-Schedule. But we need not see their list at
1) Scheduled Commercial Banks (SCB) e.g. SBI, Axis, ICICI	Rbi.org.in/CommonPerson/English/scripts/banksinindia.aspx
2) Schedule Cooperative Banks like Haryana Rajya Sahakari Bank, Tamil Nadu State	



Scheduled Bank (अनुसूचित बैंक)	Non-Scheduled Bank (गैर- अनुसूचित)
Apex Cooperative Bank	
Need to deposit CRR money to RBI's office (CRR का पैसा ट्रक में भरके रिज़र्व बैंक में पहुँचाना होगा)	Can maintain the CRR money with themselves in their own office/vault. (खुद की तिजोरी में रख सकते हैं)
Eligible to borrow / deposit funds in RBI's window operations. E.g. LAF-Repo, MSF, etc.	Depends on RBI's discretion. (विवेकाधीन/रिज़र्व बैंक की मर्ज़ी – आने भी दे सकता है, लात मार के भगा भी सकता है)
are required to protect the interests of depositors and abide to RBI norms. (जमाकर्ताओं के हितों की रक्षा करनी होगी, और रिज़र्व बैंक के नियमों का पालन करना होगा)	Ofcourse, they also have to do it, else RBI can shut them down under Banking Regulation Act.
Govt depts and big private sector companies are more likely to open their bank accounts/ employees' salary deposit accounts in it.	Less likely to happen. (गैर अनुसूचित बैंकों में सरकारी विभाग या बड़ी कंपनियों वाले बैंक-खाते खोले इसकी संभावना कम होती है)
Bank becomes eligible to partner in the govt's financial inclusion scheme e.g. PM Jan Dhan Scheme for opening bank accounts of poor people. (Ref Pillar1D3: financial inclusion)	Usually not eligible. (वित्तीय समावेशन की सरकारी योजनाओं में गैर अनुसूचित बैंकों को सामान्यतः शामिल नहीं किया जाता है. जैसे कि प्रधानमंत्री जनधन योजना में गरीबों का बैंक खाता इन बैंकों में नहीं खोला जा सकता.)

- Airtel Payments Bank and Paytm Payment Bank categorised as a scheduled bank in 2021-22.

📌 **FAQ: “After getting scheduled status, Can Payment Banks give loans/credit cards or accept Fixed Deposits?”** Ans. No, they're prohibited from such activities. Paytm doing such activities as “an Agent” of a federal bank, IndusIndia bank etc but Paytm cannot do it as ‘its own Banking business’.

13.15 FI ⇒ COMMERCIAL BANKS ⇒ PRE-INDEPENDENCE



Table 1: Before Independence (Exact Years Not-IMP.)

1770	Bank of Hindustan, Calcutta (Europeans owned it. So it was not truly 'Swadeshi')
1806-42	- Three Presidency Banks at Bengal then Bombay then Madras. - 1861: all three were given the right to issue currency. - 1921: They were combined into Imperial Bank of India ⇒ SBI (1955)
1865	Allahabad Bank (Europeans owned)
1894	PNB: Indian owned, Lala Lajpat Rai helped in foundation.
1908	Bank of Baroda by Maharaja Sayajirao Gaekwad III
1913-30s	State Bank of Mysore, State Bank of Patiala, the rise and collapse of Banking industry, then Birth of RBI (1935)



1940s	State bank of Bikaner, Jaipur, Hyderabad, Travancore by the respective princely states / Nawabs. Post-Independence, these banks became 'Associated Banks of SBI', and ultimately, merged in SBI (2017).
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13.15.1 🦄 → 🧐 Nationalization of Banks After Independence (आजादी के बाद निजी बैंकों का राष्ट्रीयकरण)



- ⇒ **NEXUS between Banks and Industrialists:** From 1950s to 60- only 188 elite people controlled the economy by being in board of top 20 banks, 1452 companies.
- ⇒ This led to reckless lending to directors and their firms. So, Banks failed frequently, RBI had to close them. (रसूखदार लोग के कब्जे में थी बैंकिंग व्यवस्था. भाई भतीजावाद में अंधाधुन कर्ज देते थे)
- ⇒ Private Banks unwilling to open in rural areas- this did not help in **financial inclusion** of poor, farmers, MSME or achievement of Five Year Plan (FYP) targets or reducing regional imbalance. (वित्तीय समोवेशन, पंचवर्षीय योजनाओं के लक्ष्यक हासिल करने में निजी क्षेत्र के बैंक मदद नहीं करते थे. क्षेत्रीय असमनाताएँ बढ़ी)

Table 2: Nationalization & Merger of Banks after Independence

1948	RBI Transfer of Ownership Act.
1948	1948: Op. Polo, Hyd. → 1951: 1 st FYP, → 1953: Air India nationalized from Tata
1955	Imperial Bank nationalized and became SBI.
1955-56	LIC Act took over private life insurance cos. 57: 1 st Communist Govt in Kerala 61: Operation Vijay for liberation of Goa, Daman and Diu.
1963	State Bank of Jaipur and Bikaner merged together.
1969	⇒ 'Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969: 14 Private banks with ₹ 50 cr/> deposits were nationalized e.g. Bank of Baroda, PNB, Dena, Canara etc. (बड़ी जमा-राशि वाले निजी बैंकों का राष्ट्रीयकरण) ⇒ Catholic Syrian Bank (1920, Kerala), Ratnakar Bank, Dhanlaxmi Bank, etc., did not have such large deposits, so they were not nationalized. So, they are called "Old Private Banks".
1972-73	GIC Act- took over private Non-Life (=General) insurance cos. Later GIC was re-organized with 4 subsidiaries: National Insurance, New India Assurance, Oriental Insurance and United India Insurance. More in 📄 Pillar#1D
1980	6 banks with ₹ 200 cr/> deposits were nationalized e.g. Corporation Bank, Vijaya Bank, Oriental bank of Commerce etc.
2019	Previously, State Government of J&K owned 60% shares in J&K bank → Article



	370 removal → Union Government took-over this shareholding. 🎓👉 Further 500 type historical-GK things NOTIMP.
Reform Committees	following Committees were made for reforms in banking sector M Narasimham-I (1991), M Narasimham-II(1997), Dr. Raghuram Rajan Committee (2007) and P J Nayak Committee (2014)
Death देहांत	2021: Death of M Narasimham. He was ex-Governor of RBI and chairman various Committees on Banking Sector Reforms, therefore known as “father of Indian banking system reforms” (एम नरसिंहम भारतीय बैंकिंग प्रणाली सुधार के पितामह माने जाते हैं।)

AB CD ? (Prelims 2009) Q. In independent India's economy, which was earlier event to take place?

- A) Nationalization of insurance companies B) Nationalization of State Bank Of India
C) Enactment Of Banking Regulation Act D) Introduction of first Five year plan

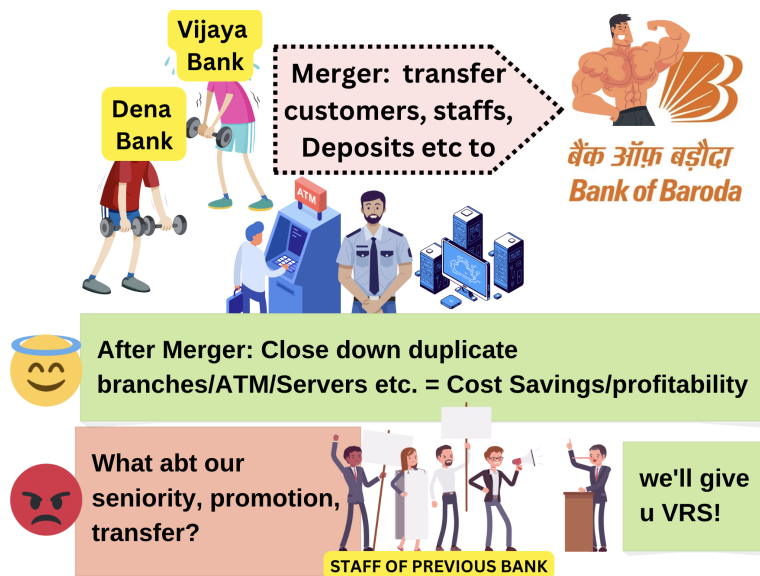
AB CD ? (Prelim-2018) Q. Consider the following events:

- The first democratically elected communist party government formed in a State in India.
- India's then largest bank, 'Imperial Bank of India', was renamed 'State Bank of India'.
- Air India was nationalised and became the national carrier.
- Goa became a part of independent India.

Codes: A) 4 – 1 – 2 – 3 B) 3 – 2 – 1 – 4 C) 4 – 2 – 1 – 3 D) 3 -1-2 -4

13.16 🏦🧑🏻🔄 CONSOLIDATION OF PSBs [एकत्रीकरण]

PSB consolidation = made up of two types of reforms: A) Merger B) Privatization



13.16.1 🔄 Consolidation of PSBs → A) Merger (विलीनीकरण)

Table 3: Notable PSB Mergers before 2019, April. 🙌 You need not memorize exact years/ HQ for IAS Exam

2008-10	State Bank of Saurashtra and State Bank of Indore merged into SBI.
2013	⇒ Bharatiya Mahila Bank setup as PSB, HQ Delhi, 100% ownership by Union Government. (भारत सरकार ने स्वयं बनाया था) - BMB's Board of Directors: All women. Staff & Deposit Holders: both men and



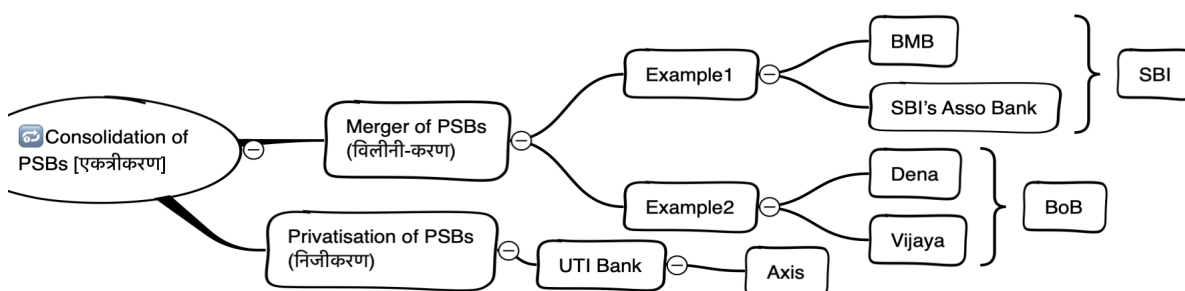
	women, Loans given predominantly to women- and that too without collaterals
2017	BMB & 5 Associated Banks of SBI viz. State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP) and State Bank of Travancore (SBT), merged with SBI.
2017	- Alternative Mechanism Panel setup under the Finance Minister's chairmanship. - This panel examine the proposals for merger/consolidation of the Public Sector Banks (PSBs) and forward to Cabinet for approval. - Department of Financial Services coordinates the filework.
2019, 1 st April	Vijaya & Dena to be merged into Bank of Baroda. - Among these three oldest: BoB (1908) > Vijaya (1931) > Dena (1938)

Table 4: 2019, merger of 10 banks into 4 anchor banks (NOTIMP UNLESS preparing for IBPS)

Amalgamating Banks → → → (एकीकृत / विलीन होनेवाली)	Anchor Bank (सहारा देनेवाली)
- Oriental Bank of Commerce (1943, HQ: Gurugram, Haryana), - United Bank of India (1950, Kolkata)	1) PNB. (1984, HQ: Delhi, It'll become the 2nd largest bank after SBI, in terms of business size and branch network)
Syndicate Bank (1925, HQ: Manipal, Karnataka) →	2) Canara Bank (1906, HQ: Bengaluru, Karnataka)
- Andhra Bank (1923, Hyderabad) - Corporation Bank (1906, Mangaluru)	3) Union Bank of India (1919, Mumbai)
- Allahabad Bank (1865, Kolkata) →	4) Indian Bank (1907, Chennai)

After this process is over, we'll be left with only 12 PSBs (+1 India Post Payment Bank).

- Benefit? Geographical & technological synergies in ATM, Branches, Security Staff, Servers cost etc. (भौगोलिक और तकनीकी तालमेल)
- More Argument in favour / against = Mains QEP handout. This is Prelims #RAFTAAR.



13.16.2 Consolidation of PSBs → B) Privatization (निजीकरण)

It involves Government selling 51% or larger shareholding to private parties. Then such Public Sector Bank will convert into a private sector bank. For example, (i) Axis Bank (Earlier called UTI Bank) and (ii) IDBI Bank.



13.16.3 PSB Privatization: Banking Investment Company (BIC-बैंकिंग निवेश कंपनी)

Removed from handout because outdate/faded topic until Finance Ministry implements it.

13.17 🏠👤 COMMERCIAL BANKS ⇒ PVT. SECTOR BANKS (PVB) निजी-क्षेत्र के बैंक



While the nationalization of banks was done with the lofty objectives, but politicization in Public Sector Banks (PSBs) created new set of problems:

- Govt administered loan interest rates for populism= Low profitability for PSBs. (मुनाफा कम)
- Political Interference= Low recovery difficult (राजनीतिक हस्तक्षेप के चलते दबंग तत्वों से ऋण वसूली मुश्किल)
- Employees Unions hampering innovation or customer delight. (नवाचार, ग्राहक सुविधा कम)
- **1991:** Balance of Payment crisis (BoP: भुगतान संतुलन, More in Pill#3) finally forced Govt. to set up a committee for Banking Sector Reforms under The former RBI Governor M.Narasimham. He suggested following:



- Govt should ↓ its shareholding in Public Sector Banks. (सरकार अपनी शेयर हिस्सेदारी कम करे)
- RBI should ↓ CRR and SLR (सीआरआर, एसएलआर में कटौती करे)
- Govt should not dictate interest rates to Banks. Liberalize the branch expansion policy (बैंकों को लोनदर, शाखा विस्तार नीति तय करने में सरकार दखल न करे।)
- Allow entry of New Private Banks & New Foreign Banks. (विदेशी बैंक और निजी क्षेत्र के बैंकों को अनुमति)

Table 5: Three rounds of bank licensing in India. Names not that IMP unless giving Banking-exams

Round-1 (1993-95)	Round-2 (2001-04)	Round 3 (2013-16)
1) ICICI 2) HDFC 3) IndusInd 4) DCB 5) #UTI → later Axis bank 6) #IDBI → now owned by LIC 7) Global Trust Bank →	1) Kotak Mahindra 2) Yes Bank (Founder Rana Kapoor). Related Topic: Yes bank scam/Crisis 📄 Pillar#1B2: Bad loans & other Burning issues in Bank/NBFC sector	Rajan invited applications, Bimal Jalan Committee made selections: 1. Bandhan (A Microfinance company based in W.Bengal) 2. IDFC (An infra finance NBFC based in



Round-1 (1993-95)	Round-2 (2001-04)	Round 3 (2013-16)
Merged with Oriental Bank No. 8-9-10: Bank of Punjab, Centurian Bank, Times Bank were merged into HDFC		Maharashtra). Later on, another NBFC "Capital First" merged so renamed into IDFC-First

Above banks are also known as **new-generation private banks** in India. (नयी पीढ़ी के निजी क्षेत्र के बैंक)

👉 **FAQ: In early 90s- UTI Bank & IDBI Bank were not private sector banks, then why have you kept them here in table?** Ans. Because presently, they're private sector banks. I don't have to submit this handout as evidence in the Supreme Court so I don't care being so pedantic about everything. You need to change your approach towards studies, to finish syllabus faster. #RAFTAAR

13.17.1 🏠👤🚗🏢 'On-Tap' License to open Private Sector Banks (जब मन चाहे तब अर्जी डाल दो)

A private entity can open Bank only after getting license from RBI under Banking Regulation Act, 1949. Previously, one had to wait till RBI invited applications. But in the On-Tap system (from 2016), one can apply to RBI whenever he wishes (like a driving license), provided that he meets the eligibility requirements e.g. min. 10 years' XP in banking finance, minimum 500 crore capital etc.

👉 **FAQ: isn't above Rs.500 cr capital conflicting with Scheduled Commercial Bank Definition?**

Ans. It works in step by step fashion. watch video lecture.

13.17.2 🚫🏠👤🚗🏢 Allowing NBFC/Large Corporate to setup Banks

- ⇒ RBI rules prohibit large NBFCs (e.g. ILF&S) & large corporate houses such as Tata, Adani, Reliance etc from opening commercial banks (except payment banks - e.g. Jio Bank. But payment banks are prohibited from giving loans, so they do not pose as much systematic risk.).
- ⇒ India has 12 public sector banks, 21 private sector banks, 11 small finance banks, 44 foreign banks, and 5 payment banks (as of July-2025-[financial-times](#))
- ⇒ Only 2 Indian banks, SBI and HDFC Bank, are in the top 100 global banks by total assets.
- ⇒ India hasn't issued fresh commercial bank licenses in almost a decade.
- ⇒ India aspires to become a \$5 trillion dollar GDP Economy, so it requires more banks.
- ⇒ Therefore, RBI and government considering liberalizing rules to allow large NBFCs and corporate houses to get commercial bank licenses.
- ⇒ Argument in favour and against this proposal = shifted to Mains-QEP Handout.

13.18 🏠👤🏢 COMMERCIAL BANKS ⇒ FOREIGN BANKS (विदेशी बैंक)

In Nehruvian Socialist Economy there was disdain & apprehensions about Foreign Banks. So, only a handful of them were allowed to open branches. But, Post-1991-Reforms: system liberalized. (नेहरू-समाजवादी विचारधारा के नीति निर्माताओं में विदेशी ताकतों के प्रति घृणा और डर → बहुत कम विदेशी बैंकों को अनुमति दी थी)

- They're Incorporated abroad (i.e. registered under the Companies Act of a foreign nation) & opening subsidiary in India e.g. Citibank, Bank of America, HSBC. (उन्होंने किसी अन्य देश के कंपनी कानून में पंजीकरण करवाया है)



- While CRR, SLR & other norms applicable, but PSL norms vary depending on number of branches. [📄 Ref: Prev. Handout: 1A2 → topic PSL]
- RBI gives them 'on-tap' license on reciprocal basis. i.e. if foreign nation allows Indian banks to operate in their country, THEN RBI allows that nation's banks to operate in India.



MCQ. What is/are RBI rules for foreign banks in India? (Pre'24-set-C-Q59)

1. There is no minimum capital requirement for wholly owned banking subsidiaries in India.
 2. For wholly owned banking subsidiaries in India, at least 50% of the board members should be Indian nationals.
- Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

13.18.1 Foreign investment limits in Indian Banks

👤 Indian Public Sector Bank	- Foreigners can invest max. 20% in its shareholding. E.g. SBI (14%), PNB (13%) भारत की सार्वजनिक क्षेत्रों में विदेशी निवेश की सीमा
👤 India Private Sector Bank	- Foreigners can invest upto 49% (automatic-स्वचालित तरीके) and upto 74% by approval of Government (सरकार की अनुमति लेकर). (More in 📄 Pillar#3A: FDI) - e.g. HDFC (73%), ICICI (59%) Axis Bank (52%) is owned by Foreigners. - Although Govt thinking of 📈 to 100% to help capital mobilization for BASEL-III norms . [📄 More in Next Pillar#1B2: NPA handout]

13.19 🏦👤⚖️🌐🚫 COMMERCIAL BANKS ⇒ DIFFERENTIAL BANKS

Chronology of differential banks: RRB(1976) → Local Area Bank (1996) → Small Finance Bank & Payments bank(2015) → Wholesale banks (proposed)





Difference	Universal Bank (सार्वजनिक बँक)	Differential Bank (भेदकर बँक)
Open Branches शाखाएं	Anywhere: example SBI, ICICI [*After opening 25% of branches in unbanked rural areas]	Geographical Restrictions on branch opening for Local Area Bank (LAB), Regional Rural Banks (RRB)
Accept	Both Time & Demand Deposits of any amount.	Payment Bank – Accept Max. 1 lakh deposit only. In 2021- This limit increased to ₹2 lakh.
Give Loans to	Anyone [After 40% PSL]	- SFB, RRB: 75% to PSL - Payment Bank can't give loans;

13.19.1 Commercial Banks ⇒ Differential Banks ⇒ RRB and LAB

Regional Rural Banks (क्षेत्रीय ग्रामीण बँक)	Local Area Bank (स्थानीय क्षेत्र बँक)
- Based on M.Narasimham's Committee on Financial Inclusion in 1970s[#] - Setup under the provisions of RRB act - e.g. Uttar Bihar Gramin Bank (Sponsor bank- Central Bank of India) - Subjected to CRR, SLR norms but RBI could prescribe separate norms. - PSL: 75%. (More in Pillar#1A1) - Their loan interest rates can't be more than prevailing lending rates of Cooperative Banks in the area. - Restricted to few districts. E.g. Baroda Gramin Bank branches confined to Gujarat's southern districts. - Ultimate regulator: RBI but immediate regulator NABARD.	- Based on Budget-1996 by Finance Minister Manmohan Singh - Unlike RRBs, they're not setup by Union or State govts or by any special act or parliament. But by pvt entities simply applying to RBI under Banking Regulation Act. - Can open branches in Max. 3 districts sharing borders with each other. only 1 urban centre per district allowed. Remaining branches need to be opened in rural areas of that district. - They're Non-Sch. Banks so while CRR, SLR, PSL etc very apply but every norm may be different, decided by RBI. - E.g. Subhadhra Local Area Bank, Kolhapur

13.19.2 RRB's Shareholding pattern / IPO

RRB Act 1976	Amendment in 2015
Shareholding: Union 50% + State 15% + Sponsor Bank 35% = 100%	⇒ Shareholding: (Union+State+Sponser bank) 51% + others (pvt investors) 49%. ⇒ Benefit? RRB can issues new / fresh shares in market to acquire more capital from private investors. #

Govt has Issued guidelines related to RRB's IPO (Initial public offer) in sharemarket. But technical-stuff not IMP for IAS Exam. More about IPOs in Pillar#1C.



► **FAQ*: M.Narasimham committee was made in 1990s so how can he be in 1970s?** Ans. Same gentleman was chairman of many committees ✓(1) Financial inclusion (1970s) ✓(2) banking reforms-I (1990s) ✓(3) banking reforms-II (1990s)

13.19.3 RRB Data from ES25:

1975: Regional Rural Banks setup under the Regional Rural Banks Act of 1976. (FAQ: how were they set a one year before their law? I don't know/care, copy pasted from ES25.)

Category	1975	2006	2023
Number of RRBs	5	133	43^^

- ^^ numbers reduced due to the merger initiated by the government.
- RRB's profitability has increased, NPA has decreased, and they're successfully completing their PSL-loan quotas.- says ES25:

13.19.4 Commercial Banks ⇒ Differential Banks ⇒ SFB & PB



Jio Payments Bank
INDIA KA NAYA BANK

paytm payments bank

On Nachiket Mor Committee's recommendations (2013-14), Governor Raghuram Rajan approved these new types of banks for (1) financial inclusion (2) competition & innovation among players.

Table 6: Need not memorize all the FACTs, UNLESS Preparing for Banking Exams as PLAN-B

Parameters	Small Finance Banks लघु वित्त बैंक	Payment banks भुगतान बैंक
Examples	Capital Small Finance Bank (Punjab), Ujjivan (Karnataka), Utkarsh (UP): Total 10 list at rbi.org.in/scripts/banklinks.aspx	6 at present: Airtel, India Post, FINO, Paytm, Jio, NSDL. (Total 11 were selected; but AdityaBirla-Idea & other withdrew later)
Eligibility during 1 st round of licensing	Min.100cr. capital-walla Resident Indian, Local Area Bank, NBFC, Micro-finance, with 10 years exp. in banking / finance	Min.100cr. capital-walla resident Indians, NBFCs, PPI-wallets (pre-paid payment instrument), mobile telephone companies, super-market chains, cooperatives & companies controlled by resident Indians
Area	RBI Committee gave selection preference North East & Central India clusters where Universal Banks' penetration is poor	Anywhere
CRR, SLR, Repo, FDI?	Same as Indian private banks	Same as Indian Private Banks, but special terms & condition in SLR.
Rural Penetration	Must have 25% branches in unbanked rural areas	No need but 25% access points must be in rural areas like Kiraana Stores



Parameters	Small Finance Banks लघु वित्त बैंक	Payment banks भुगतान बैंक
Target Consumers	Unserved Underserved Farmers, Micro, Small industries: किसान, सूक्ष्म, लघु उद्योग	Promoting Small savings Remittance of migrant labors, low income households, unorganized sector, small business.
Accept Deposits	Yes, without any restrictions डिपॉजिट स्वीकार करने में कोई पाबंदी नहीं है	🚫 No NRI deposits, 🚫 No Fixed deposit** - Can accept only Demand Deposits and Max. balance Rs.1 lakh per customer. (In 2021- limit increased to ₹2 lakhs)
Debit cards	🏠 YES can give.	🏠 YES can give.
Credit cards	🏠 YES can give.	🚫 No (because can't give "loan")
Loans	- Yes, but 75% in PSL, - 50% of loan portfolio of Rs. 25 lakhs/< loans.	- Can't loan, So no PSL. - They're required to invest all deposits in G-sec, T-Bill and in other SCBs. 🚫 How much% notimp.
future growth?	After 5 years, can become Universal Commercial Bank, If RBI is satisfied.	After 5 years, can become Small Finance Bank, If RBI is satisfied with their record.

—BASEL-III norms applicable on both of SFB & PB. (More in **Pillar#1B2:BASEL Norms**)

- Both SFB & PB can sell Mutual Fund (MF), Pension, Insurance policies with approvals of respective regulators i.e. SEBI, IRDAI, PFRDA.

👉 **FAQ: You wrote that Payment Banks can't accept FD or give loans or credit card but Paytm is doing that!??** Ans: Paytm doing FD/Credit Card/Loan activities as “an Agent” of a federal bank, IndusIndia bank etc. Similarly, Although India Post Payments Bank (IPPB) cannot give loans because it is a payment bank but signed a deal with HDFC Bank to give home loans as an ‘Agent’.

👉 **FAQ: if payment banks cannot give loans, then what do they do with deposit money?** Ans. It is answered within the above table itself. Read properly. If you're going to glance over this handout casually & carelessly like a WhatsApp message then handout cannot help you in the UPSC exam.

13.19.5 On-Tap Licenses for starting SFB (मन चाहे तब अर्जी डालो)

- RBI reviewed & found SFBs have achieved their priority sector targets and helped in financial inclusion. More competition and new players will help. (अधिक बैंकों को अनुमति देने से स्पर्धा में बढ़ोतरी वित्तीय समावेशन में मदद)
- so 2019, RBI announced it'll allow 'On-Tap' license for SFB soon. (i.e. no need to wait for notification unlike IAS exam, apply whenever you wish like a driving license)



- Eligibility conditions to start SFB license 'On Tap': (👉 Exact norms NOT IMP for IAS Exam)

AB CD ? MCQ. Find correct Statement(s) about Payment Banks? (Prelims-2016)

- 1) Mobile telephone companies and supermarket chains that are owned and controlled by residents are eligible to be promoters of Payment Banks.
- 2) Payment Banks can issue both credit cards and debit cards.
- 3) Payment Banks cannot undertake lending activities.

Codes: (a) 1 and 2 only (b) 1 and 3 only (c) 2 only (d) 1, 2 and 3

AB CD ? MCQ. What is the purpose of setting up of Small Finance Banks in India? (Prelims-2017)

1. To supply credit to small business units
2. To supply credit to small and marginal farmers
3. To encourage young entrepreneurs to set up business particularly in rural areas.

Codes: (a) 1 and 2 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

13.19.6 🤖🇮🇳 Payment Bank → Paytm Payments Bank - RBI takes action (2024)

- 2017: Paytm Payments Bank Ltd (PPBL) starts operation.
- Its parent company is called 'One97'. Founder Vijay Shekhar Sharma.
- Early Investors: Warren Buffett's Berkshire Hathaway Group (USA), Jack Ma's Alibaba Group (China) etc. Although most of them sold their shares at a loss & exited by 2023.

👉🇮🇳 2024: RBI stopped Paytm bank from accepting deposits, adding money in PayTM wallet, Fastag, etc., for the following reasons: 👉

- ⇒ Non-compliance with Know-Your-Customer (KYC) norms while opening bank accounts.
- ⇒ Same PAN number used for activating multiple accounts, and these accounts were conducting crores of rupees of transactions. (एक ही पैन कार्ड नंबर द्वारा कई बैंक खातों को खोला गया था और वहां धन-शोधन यानी काले धन को सफेद करने का गैर कानूनी काम चल रहा था ऐसे आरोप.)
- ⇒ Allegations of Money laundering (converting black money into white)
- ⇒ RBI's inspection revealed that there was no separation in servers or physical space occupied by the Paytm bank and other One97 group entities e.g. Paytm Insurance, PayTM Mall, Paytm Games, etc. = data security issue, possible spams/marketing offers by misusing the user data.
- ⇒ ✅ However, RBI has allowed Paytm to continue its UPI/App related activities e.g. Paytm QR, Paytm Card Machine; financial services, such as loan agent work, insurance agent work, and equity (share) broking etc.

13.19.7 Payment Banks → 🇮🇳 India Post Payment Bank (IPPB)

- Registered as a Public Limited Company under Companies Act, 100% owned by Department of Posts (Ministry of Communication and Information Technology.) → Obtained RBI's License under Banking Regulation Act to start working as a Payment Bank.
- Airtel Payments Bank was first to launch operations in 2017. Later, IPPB launched in 2018.
- Largest customer reach with 1.55 lakh Post offices across India.
- Doorstep banking through Postmen.
- Bank Account Types: **Safal, Sugam, Saral** (internal differences not imp4UPSC).



- Account can be opened with zero balance, no minimum balance requirement.
- Minor Customer Aged 10 years or more can also open account. (नाबालिग का भी खाता खुलवा सकते हैं)
- 2019: IPPB announced it desires to convert itself from Payment Bank into a Small Finance Bank (SFB), so it can offer loans to customers. (But as per RBI guidelines, Payment bank need 5 years' experience before upgrading their license to SFB. यानि की अभी मंजिल दूर है।)

13.19.8 📖 (Yearbook) Dept of Post: POSB vs IPPB

Don't loose sleep unless preparing for Postal- Assistant etc. exams

Ministry of Communications two dept: 1) Depart of Telecommunications 2) Department of Posts →

- ✓ Setup by Clive (1766), expanded by **Warren Hastings** (1774)
- ✓ 1854: **Dalhousie**- Post Office Act; 1st postal stamp, rates by weight & not by distance.
- ✓ 2008: Project Arrow for modernization.
- ✓ 2013: **Telegram** stopped by India Post, due to onset of SMS & email.
- ✓ Dept of Post sells
 - **Gangajal** sourced from Rishikesh and Gangotri.
 - UTI-Mutual funds and Sovereign Gold bonds.
- ✓ **Post Shoppe** = special outlet in big post offices for philately (stamp collection hobby)
- ✓ **RTI fees** can be submitted by buying Indian Postal Orders (IPO). **E-IPO** = overseas Indians can pay RTI fees online using this mechanism.
- ✓ **Deen Dayal SPARSH Yojana**: Students in class 6-9 given scholarship for philately.
- ✓ **Dhai Akhar Letter Writing Competition**-students asked to write letters to Mother Teresa, Tagore etc.
- ✓ **Officers' training** conducted at **Rafi Ahmed Kidwai** National Postal Academy at Ghaziabad, UP. Kidwai was India's first Minister for Communications.

Table 7: 🙌 No need to loose sleep, UNLESS preparing for Post-Office staff exams.

Dept of Post →	Post Office Savings Bank (PoSB)	India Post Payments Bank (IPPB)
foundation	Govt Savings Bank Act 1873	Companies act 2013 → Public ltd company registered in 2016
Accept demand deposits?	Savings account only	1. Current account 2. Savings account
Accept time deposits?	YES	No, bcoz it is a payment bank
Can keep more than ₹2 lakh balance?	YES	No, bcoz it is a payment bank. But u can link IPPB account with PoSB account to auto-transfer (=SWEEP) excess balance to PoSB.
E-Banking and	Not directly but you can	yes , UPI, BHIM, NEFT, IMPS and BBPS



Dept of Post →	Post Office Savings Bank (PoSB)	India Post Payments Bank (IPPB)
online bill payment	do it by linking PoSB account with IPPB account	(Bharat Bill pay) available.
Sukanya Smriddhi (daughter's fixed deposit account)	Can be opened	Not possible. Because time deposits are not allowed in Payment Banks.
loans to individual?	No. ₹ goes to NSSF. More in Pillar2A.	Not until it becomes Small Finance Bank
Objective?	Promote savings habits among poor	Remittance & digital payments

- 📁 Budget-2022: Post Office Savings Bank (POSB) will be connected with Core Banking System (CBS). So, their depositors too can use E-banking/net-banking, mobile banking, ATMs etc.
- Benefits? 🏆 1) Convenience for POSB depositors esp. villagers, farmers and senior citizens. 🏆 2) interoperability= (ability to use POSB deposit money in above NEFT/ATM etc facilities)
- Interoperability is the ability of customers to transact across commercially and technically independent payment platforms. व्यावसायिक और तकनीकी रूप से स्वतंत्र प्लेटफार्मों के बीच लेन-देन करने की सुविधा

AB CD ? MCQ. Find correct about India Post Payments Bank (IPPB)? [Asked in UPSC-CDS-2018-1]

- 1) It has been incorporated as a Public Limited Company.
- 2) It started its operation by establishing two pilot branches at Hyderabad and Varanasi.

Answer codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

13.19.9 🚚 ⏰ (Proposed) Wholesale & Long Term Finance Banks (WLTF)

- 2017: RBI proposed WLTF Bank. दीर्घकालिक थोक वित्त बैंक.
- NOT Yet made. Topic Outdated, not much in news, so removed from handout.

13.19.10 🏠 📡 📱: Digital Payments- (Proposed) Digital Banks by NITI Aayog (2021)

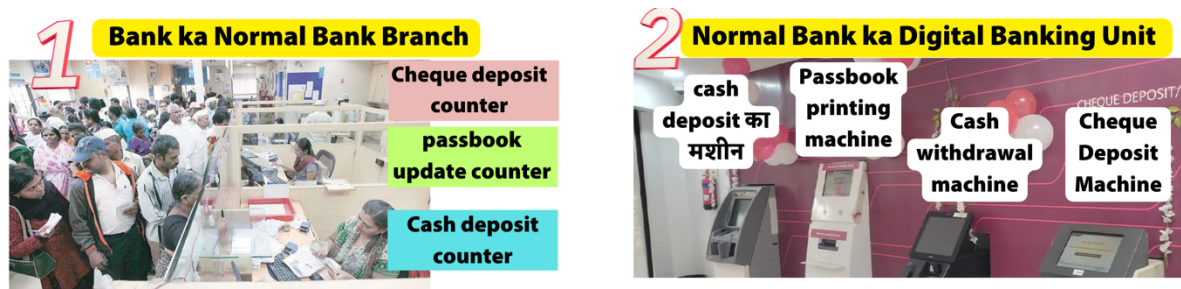
- ⇒ 2021: NITI Aayog proposed setting up 'full-stack digital banks'.
- ⇒ This will be new type of banks under the Banking Regulation Act, 1949 (BR Act).
- ⇒ Digital Banks will not have physical branches. They will rely on internet for delivering banking services. 🏆 Benefit? financial inclusion of rural area. (नीति आयोग ने ऐसा प्रस्तावित किया है कि नए क्रिस्म के डिजिटल बैंक बनाए जाएं जो की भौतिक भौगोलिक रूप से ब्रांच न हो किन्तु इंटरनेट के ज़रिए बैंकिंग सुविधा दे इसे गाँव गाँव तक वित्तीय समावेशन में मदद मिलेगी)
- ⇒ 🎓 🙌 But since it's not yet formed, so we need not loose sleep about how exactly it'll work.

13.19.11 🏠 📡 📱: Digital Banking Units (DBU) in Budget 2022

- ⇒ Budget-2022 announced to setup 75 DBUs. Then RBI announced rules.
- ⇒ Basically commercial banks open a fancy office wherein every service provided digitally / paper-less manner, with help of digital kiosks e.g. opening bank account, getting credit cards etc.



⇒ How is this similar or different than NITI Aayog's Digital Banks? NOT IMP.



13.19.12 🏠📡: Digital Payments- NeoBanks / full-stack digital banks

- Neo-banks/full-stack digital banks= are completely online-based digital banking platforms. They don't have physical branches.
- NITI Aayog proposed this to increase banking penetration in India. But RBI not keen to allow.
- RBI believes our existing banks are capable to deliver the banking services both online and thru physical branches.
- But this is “fancy term” (Neobank) comes in news every once in a while due to Startup-company ke PR (public relations)/paid promo-articles in newspapers. . (निवेशकों को आकर्षित करने के लिए स्टार्टअप कम्पनीओ द्वारा चिकने चुपड़े शब्दों वाले समाचार प्लांट किए जाते हैं. अपने को अभी से बहुत नींद खोने की ज़रूरत नहीं, क्योंकि आरबीआई इसको अनुमति देने की जल्दी में नहीं है।)

13.19.13 🚩👤 FAQ : DIFFERENCE between digital banking unit vs Neobank

	Digital banking unit (DBU)	Neobank
Do they've physical branch	Yes. But Everything done via automatic machines. Scroll up and see photograph.	No physical branch. Everything done online.
Do they exist in reality?	Yes. E.g. Axis bank DBU	No. RBI yet to permit them^^.

^^ 🚩👤 FAQ by Zhande-walle Babushone: I'm a software engineer in “X startup which is a neobank, so you're teaching wrong ke RBI not allowed them.” Ans. RBI has not allowed them a bank license. A beauty parlour calling itself “beauty clinic” does not mean the National Medical Commission has approved it as ‘clinic to treat patients’. Plz don't add real-life gyan/pedantry to the facts taught in HDT. Otherwise, your MCQ will get wrong.

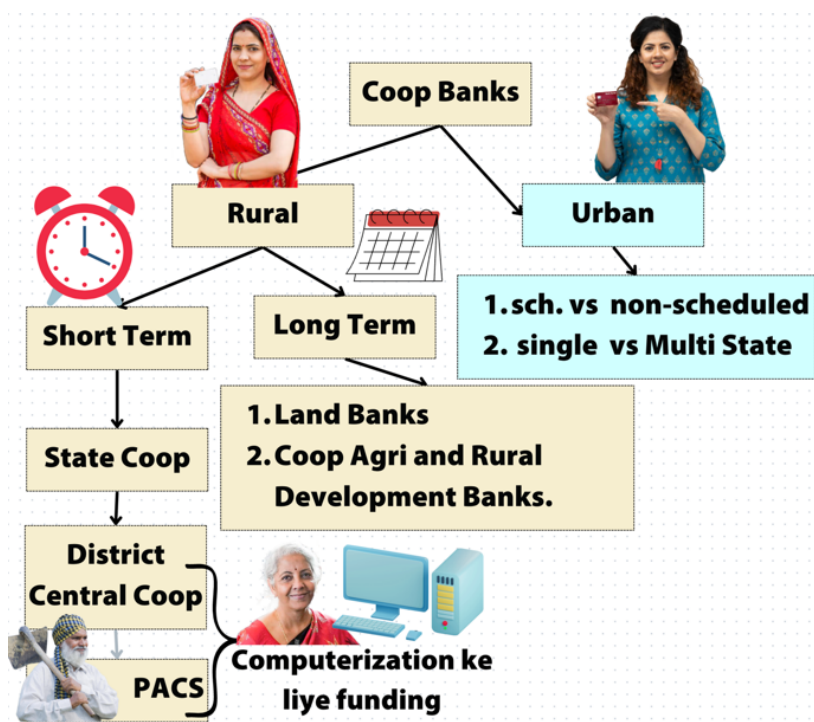
13.20 🏠👤🌾 FI ⇒ BANKS ⇒ COOPERATIVE BANKS (सहकारी बैंक)

Type	🏠👤🌾 Commercial	🏠👤🌾 Cooperative Banks
Banking Reg. Act	Applicable since 1949	Applicable since 1966.
Regulator	RBI	<u>Under RBI's supervision:</u> - Multi-state Cooperative Banks - Urban Cooperative Banks



Type	Commercial	Cooperative Banks
		Under Dual supervision - Other types of cooperative banks are under dual supervision of RBI + respective State govt's registrar for cooperative society.
CRR, SLR, BASEL-III	Yes	Yes, but, RBI could keep different slabs/ norms.
Repo, MSF	Eligible to borrow	Yes, but only selected category of Coop Banks
PSL Lending	Yes 40-75%	Only urban cooperative banks
Who can borrow	Anyone	First preference to members
Vote power	Based on Shareholding, like a Commercial Company	According to Cooperative Society norms, members have vote power. So, 1 member = 1 vote irrespective of how much capital contributed.
Profit Motive (मुनाफा करने की चाह?)	Yes, purely profit motive, so lending rates may be higher than Coop.	Desire to help community. So, lending rates little lower than commercial bank
Presence (कहा पाई जाती है?)	All India & overseas branches.	Mainly in Gujarat, Maharashtra, Andhra, Tamilnadu.

🤖 **Challenges:** Politicization, casteism, poor recovery of loans, scams, money laundering. (राजनीतिकरण, जातिवाद, कर्जा वसूली में अनियमितता, चोटाले, धन-शोधन/ काले धन को वैध बनाना)





13.20.1 Urban vs Rural Coop

Urban Cooperative Banks (UCB: शहरी)	Rural Cooperative Banks (ग्रामीण)
Further subcategories depending on - Scheduled / Non-Scheduled; OR - Single State / Multi State. From 2018, RBI allowed them to voluntarily upgrade to Small Finance Banks, with certain conditions.	1) Notable State Cooperative Bank → District Central Cooperative Bank (DCCB) → Primary Agricultural Credit Societies (PACS: प्राथमिक कृषि ऋण समितियाँ)** 2) Misc Types: Land Banks, Cooperative Agriculture & Rural Development Banks. (they give longer duration loans compared to above banks. How long-duration? NOTIMP) **PACS are not 'banks'. They can't issue chequebooks. RBI doesn't regulate them. Only State registrar regulates them.

MCQ. Find correct statement(s) (asked in UPSC-Prelims-2020)

1. In terms of short-term credit delivery to the agriculture sector, District Central Cooperative Banks (DCCBs) deliver more credit in comparison to Scheduled Commercial Banks and RRBs
2. One of the most important functions of DCCBs is to provide funds to the PACS.

Answer Codes: [a] 1 only [b] 2 only [c] Both 1 and 2 [d] Neither It nor 2

13.20.2 Cooperative Banks: Negative News (2019): PMC Bank (कांड हो गया)

Outdated for 2026. So removed from handout. Brief idea given in the video lecture.

MCQ. Recently the RBI has imposed limitations, initially for a period of six months, on the withdrawal of amount by account holders of this banks: (UPSC-CDS-i-2020) (a) IndusInd Bank (b) Dhanlaxmi Bank ☒ (c) Punjab and Maharashtra Cooperative Bank (d) South Indian Bank

13.20.3 Banking Regulation (Amendment) Ordinance/Act, 2020

- **2020-June:** Ordinance issued to amend the Banking Regulation Act, 1949. **2020-Sept:** Act passed
- **Objective?** protect depositors, prevent cooperative banks from falling into fraudulent activities.

Table 8: भूतकाल में दोहरे नियंत्रण के चलते घोटाले/कांड के बाद कार्यवाही धीमी होती थी, इसलिए अब ज्यादातर सहकारी बैंको को सिर्फ रिजर्व बैंक के दायरे में लाया गया

Type of Bank	BEFORE: Regulator(s)	After: Regulator(s)
Commercial (SBI Axis)	RBI	RBI
Coop (Single State: rural)	RBI + State Govt (=dual regulation)	RBI + State Govt
Coop (Single State: urban)	RBI + State Govt (=dual regulation)	RBI ONLY
Coop (Multi State Cooperative)	RBI + Union Govt (=dual regulation)	RBI ONLY



Type of Bank	BEFORE: Regulator(s)	After: Regulator(s)
Coop: Primary Agricultural Credit Societies ("PACS")	State Govt	State Govt

⇒ State Government = State Govt's Registrar for Coop Societies

⇒ Union = Ministry of Cooperation's Registrar Multi-State Coop Societies. (previously, this registrar was part of Agri-ministry, but later shifted to Cooperation Ministry.)

MCQ. Find correct Statements about 'Urban Cooperative Banks' in India (Pre-21)

- They are supervised and regulated by local boards set up by the State Governments.
- They can issue equity shares and preference shares.
- They were brought under the purview of Banking Regulation Act, 1949 through an Amendment in 1966. [उन्हें 1966 में एक संशोधन के माध्यम से बैंकिंग विनियमन अधिनियम, 1949 के दायरे में लाया गया था।]

Codes: a) 1 only b) 2 and 3 only c) 1 and 3 only d) 1, 2 and 3'

Related topics:	Refer to
DICGC, UCB's Supervisory Action Framework (SAF), UCB 4 tier regulation → refer to	Pillar##1B2: Bad loans & other burning issues in Banking Sector
Jan Dhan Yojana, Lead Bank Scheme etc →	Pillar##1D: Financial Inclusion

13.20.4 Banking Laws (Amendment) Bill, 2024,

Before	After
1-2 nominee allowed	Account holder can have upto 4 nominees. (Nominee gets money when account holder dies.)
person cannot be a director in the same cooperative Bank for more than eight years consecutively	can sit upto 10 yrs
Normally, one person not allowed to sit as director in the two cooperative bank simultaneously.	Some liberty given in this rule.
RBI & govt decided the how much max fees a banker can pay to its auditors.	Bankers given freedom to decide how much fees they want to pay to auditors.

⇒ Notes: 1) the bill is not yet passed. So some numbers/details may change. (2) I have omitted some of the features which I don't find important for exam.

13.21 NUCFDC: UMBRELLA ORG / SRO FOR UCB (2024)

- National Urban Cooperative Finance and Development Corporation Limited (NUCFDC, राष्ट्रीय शहरी सहकारी वित्त और विकास निगम लिमिटेड)
- Launched by Ministry of Corporation, at Delhi.
- Type: Non Banking Finance Company (NBFC), regulated by RBI.



13.21.1 🧑🏫☔ NUCFDC ko Funding (वित्त पोषण /पैसा कहाँ से लाएगा)

- NUCFDC will receive funding from National Cooperative Development Corporation (NCDC, a statutory body under Ministry of Cooperation)
- NUCFDC aims to collect ₹300 cr capital (from investors) → use this money for developing IT-Technology for UCB.

13.21.2 🧑🏫☔ NUCFDC ke Functions (कार्य)

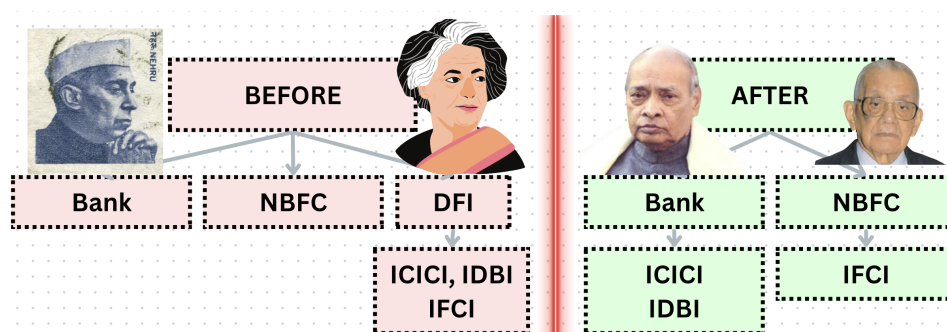
- Develop technology for Urban Cooperative Banks (UCB). Reduce the cost of technology development by individual UCB. (सभी सहकारी बैंको के लिए साजा टेक्नोलॉजी बनाना)
- Self-Regulatory Organization (SRO) for UCB (स्व नियंत्रक संस्था) [What is SRO? refer to NBFC section of this handout]
- Umbrella organization for UCB. (छतरी संस्था के रूप में कार्य करें)
- Facilitate dialogue between UCB-banks and regulators (संवाद बेहतर करें)
- Give Advisory/consultancy services to UCB for business operations, fund management, etc. (चंघा कैसे किया जाए- उसकी सलाह/विमर्श देना)

⚠️ Disclaimer: This org very recently formed (March-2024)- so not much exact details known yet. It is possible some facts may get changed or added.

13.21.3 🏠 RFI: Rural Financial Intermediaries (RFIs) bahut mahaan hai - 📖 ES25:

- ⇒ Rural Financial Institutions includes Regional Rural Banks (RRBs), Rural Cooperative Banks (RCBs), schedule commercial banks operating in rural areas, Small Finance Banks, NBFCs, Micro Finance Institutions, and local area banks.
- ⇒ Regulator? Ultimate regulator is RBI, but immediate regulator is National Bank for Agriculture and Rural Development (NABARD) oversees the performance of Regional Rural Banks (RRBs), Rural Cooperative Banks (RCBs)

13.22 🚫🏠🧑🏫🔗 FORMAL FI ⇒ NON-BANKING FINANCIAL INSTITUTIONS



13.22.1 Development Finance Institutions (DFI: विकास वित्त संस्थान)

- ⇒ are meant for Medium to long term loans to industries, including support services like arranging foreign currency, underwriting, technical / management consultancy, Bank guarantee etc.
- ⇒ DFIs' main objective is to boost GDP by giving loans to infra projects. DFIs provide financial and technical help across different sectors.
- ⇒ DFIs' technical help includes making project feasibility studies, and advisory & legal services in project design etc.



- ⇒ They don't accept DEPOSITS from ordinary people.
- ⇒ Previously the financial intermediaries (वित्तीय मध्यस्थ) were classified into three categories 1) Bank, 2) Non-Bank 3) DFI
- ⇒ But M.Narasimham-II Committee on Banking sector reforms (1998): recommended only two categories: Bank or non-bank. DFI were required to join either one category.

Table 9: Exact Years, Full Forms not very important but Chronology is important.

1948	Industrial Finance Corporation of India (IFCI) owned by the Finance Ministry's Department of Financial Services.
1955	National Small Industries Corporation (NSIC) under the Ministry of Micro, Small and Medium Enterprises (MSME).
1955	ICICI: Industrial credit and Investment Corporation of India Ltd was setup by GoI, World Bank etc. Later became a Private Sector Bank.
1964	Industrial Development Bank Of India (IDBI) Act. 2004: Transformed into a Public Sector Bank. 2018: Government sold its majority shareholding to LIC.
2006	India Infrastructure Finance Company Ltd (IIFCL) owned by the Finance Ministry's Department of Financial Services. • helps both Greenfield and Brownfield projects. (meaning? Watch video lecture) • Provides direct loans, Takeout finance (i.e. replacing shorter duration loan with a new longer duration loan), • Refinance and credit enhancement (e.g Enhance creditworthiness/credit rating of a borrower by providing Credit guarantee.)
2021	National Bank for Financing Infrastructure and Development (NaBFID) Bill, 2021 (बुनियादी अवसंरचना और विकास के वित्त पोषण के लिए राष्ट्रीय बैंक)

13.22.2 🚫🏠💰 What is Bad Bank- NARCL-IDRCL?

📖 Ref: HDT-Pillar#1B2: Bad Loans

13.22.3 🚫🏠💰 Non Bank ⇒ All India Financial Institutions (AIFI: अखिल भारतीय वित्तीय संस्थान)

These are setup by respective acts of Parliament

EXIM (Jan 1982) आयात निर्यात के लिए	NABARD (Jul 1982) कृषि और गाँव विकास के लिए	NHB (1988) गृह/आवास निर्माण	SIDBI (1990) छोटे उद्योगों के विकास के लिए
Export-Import Bank of India	National Bank for Agriculture and Rural Development	National Housing Bank	Small Industries Development Bank of India
Boss: Government of India (100%)	Previously RBI had minority-stakes in NABARD but 2018: 100% Govt owned.	Original boss: RBI (100%). But, 2019: RBI sold 100% to Govt.	Originally 100% owned by IDBI. Later on shareholding transferred → SBI, LIC etc
Promotes cross border trade and	- Regulatory supervision:	- Finance to banks and	- Operates Credit Guarantee fund, Small



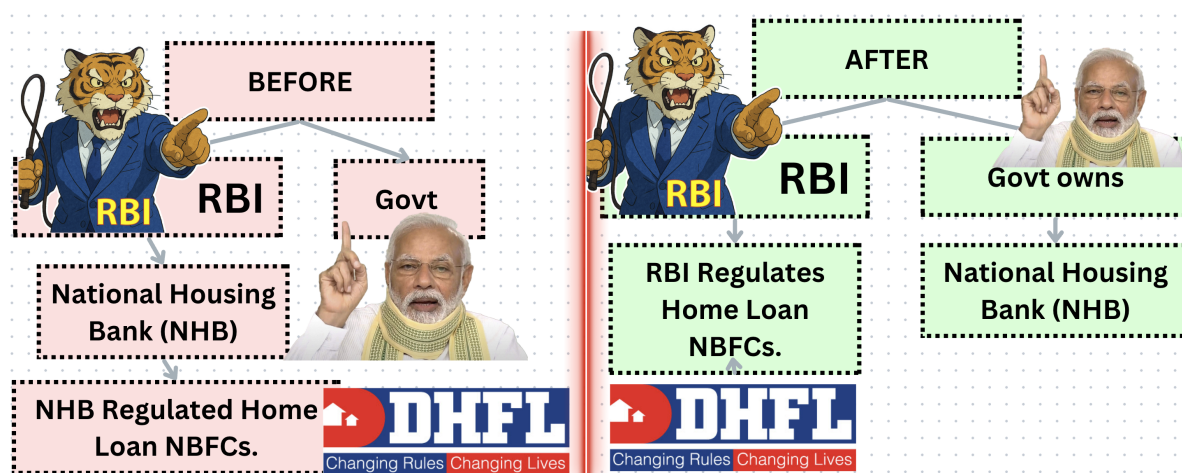
EXIM (Jan 1982) आयात निर्यात के लिए	NABARD (Jul 1982) कृषि और गाँव विकास के लिए	NHB (1988) गृह/आवास निर्माण	SIDBI (1990) छोटे उद्योगों के विकास के लिए
investment, helps importers-exports with loans and foreign currency.	Coop + RRB - + Indirect refinance to farmers, artisans - Operates Rural Infra. Development fund (RIDF)	NBFCs for housing projects. - RESIDEX index to monitor residential real estate prices.	Enterprises Development Fund (SEDF). - Operates udyamimitra.in for loans to small entrepreneurs via schemes like Mudra, Stand-up-India. (Ref: HDT-Pillar#1D: to know more abt these schemes)

⇒ AIFIs are not 'banks' because can't accept direct deposits from the public.

⇒ RBI is the regulator over AIFI.

⇒ BASEL norms applicable but RBI can prescribe different / slabs norms / deadlines.

What/why/how? Not IMP.



► **FAQ: Whether NABARD is 100% owned by govt or 100% owned by RBI- what difference does it make?** Ans. Shareholders elect board of directors via Voting. Shareholders receive dividend from the profit of the organization.

► **FAQ: What is the difference between Owner and Regulator?** Ans. Govt owns PNB. But Govt doesn't regulate PNB's banking biz. RBI regulates it using powers of Banking regulation Act.

MCQ. Who grants direct credit assistance to rural households? (UPSC-Pre-2013)

1) RRB 2) NABARD 3) Land Development Banks

Codes: (a) 1 and 2 only (b) 2 only (c) 1 and 3 only (d) 1, 2 and 3

MCQ. Find Correct Statement(s) (Asked in UPSC-Prelims-2004)

A) NHB, apex institution of housing finance in India, was setup as a wholly owned subsidiary of RBI

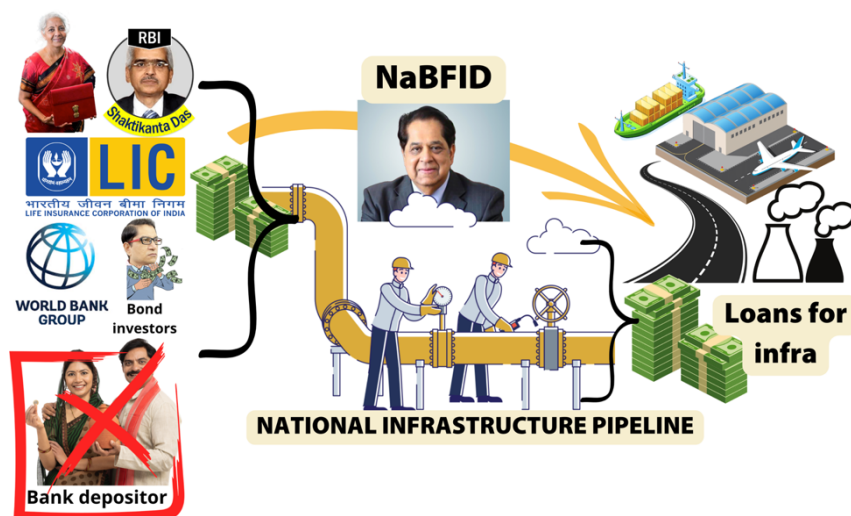
B) SIDBI was established as a wholly owned subsidiary of the Industrial development bank of India

C) Both A and B

D) Neither A nor B



13.22.4 NABFID, the 5th AIFI (2022-Mar)



2021: NaBFID: National Bank for Financing Infrastructure and Development was setup by an law/act of Parliament, with an initial capital of ₹20,000cr capital. (सरकार ने क़ानून द्वारा बुनियादी ढांचे और विकास के वित्तपोषण के लिए राष्ट्रीय बैंक बनाया था.)

- ⇒ NaBFID will get funding from RBI, Govt, Financial institutions, World Bank etc. It'll also issuing bonds in market etc
- ⇒ NaBFID will give loans worth ₹5 lakh crore in 3 years. It'll help in National Infrastructure Pipeline (NIP) project. (Ref: HDT-Pillar#5:Infrastructure)
- ⇒ Chairman: K.V. Kamath. HQ: Mumbai
- ⇒ Regulator? RBI will regulate NaBFID.
- ⇒ 2022: RBI ordered that NaBFID will be treated as All India Financial Institution (AIFI).
- ⇒ Thus, NABFID is the fifth AIFI after EXIM Bank, NABARD, NHB and SIDBI. (रिज़र्व बैंक द्वारा अखिल भारतीय वित्तीय संस्थान (एआईएफआई) का दर्जा दिया गया है।)
- ⇒ NaBFID has both financial and developmental objectives. (वित्तीय उद्देश्य तथा विकास उद्देश्य)
- ⇒ (1) financial objective is to lend or invest, directly or indirectly, and seek to attract investment from private sector investors. It gives fixed interest loans for 15–25 years.
- ⇒ (2) developmental objective of the institution is to coordinate with the central and state governments, regulators, financial institutions, institutional investors, and other relevant stakeholders.

13.22.5 🚫🏦👤 AIFI ⇒ Non-Bank ⇒ Primary Dealers (PD)- (प्राथमिक विक्रेता)

- They deal in "primary" market i.e. directly buy fresh G-sec from RBI's E-Kuber platform and sell it in the secondary market. Total 20+ PD licensed by RBI: 14 of them are Banks. E.g. Standard Chartered Bank, HSBC (HongKong), SBI, Kotak etc. (Numbers not important)
- Related Topic: Retail/Ordinary Investors also buy G-Sec directly from RBI by opening a 'Retail Direct Gilt Account' (RDG Account). (More in Pillar#1C: Deepening of Capital Market)



13.22.6 🚫🏠👤 FI ⇒ NBFCs (गेर-बैंकिंग वित्तीय कंपनियां)

Parameter	Commercial Banks	Non-Banking Financial Companies (NBFCs)
Supervision	RBI under Banking Regulation Act	Depends. Mutual funds-SEBI, Insurance Co: IRDAI etc.
Entry Capital	500 Cr.	Different-different norm depends on organization
Numbers [figures not imp]	13 Public Sector (incl. Post Payment Bank), 56 RRBs, 39 private sectors (including SFB, PB), 44 Foreign Banks.	Total 10,190. Out of them 108 deposit Taking, remaining are non-deposit-taking (ND).
Can accept Deposits?	- Can accept Time & Demand deposits [also known as chequable deposit]. - Payment banks- can't accept time deposits e.g. Fixed Deposits. - Their deposits are insured under DICGC Act.	- Only NBFC-Deposit-Taking (NBFC-D) & even they can accept only Time Deposits. E.g. Bajaj Finance. - Deposits are not insured under DICGC Act. More in Pillar#1B1
Can issue Chequebook, Debit Card?	- Yes, Banker can issue these instruments.	- Can't issue their chequebook or Debit card
Can issue Credit Card?	- Yes	- Yes. For More details refer to next section.
Prudential Norms सावधानी के मानदंड	CRR, SLR, applicable	- SLR applicable ONLY on NBFC-D. but RBI can prescribe different slabs / formulas than banks. - CRR not applicable on any type of NBFC.
BASEL norms	Yes, Applicable. More in Pillar#1B2	- Applicable on 108 NBFC-D and - Applicable on 276 NBFCs – ND – SI (non-deposit taking Systematically Important with assets over ₹ 500 crores) - e.g. L&T Finance, Cholamandalam etc. But RBI can prescribe different slabs / norms /deadlines.
Investment ग्राहक का पैसा किधर निवेश करते	They can keep depositor's money in RBI approved securities. But can't invest in share market, directly.	Can invest clients' money in share market. E.g. Mutual Funds, Insurance Companies.



Parameter	Commercial Banks	Non-Banking Financial Companies (NBFCs)
Loan Interest Rate ब्याज दर	Decided as per RBI's methodology from time to time (BPLR, MCLR, External Benchmark etc.) Ref: Pillar#1A1	Varies & depends on nature of biz.
Recovery बकाया राशि की वसूली	Loan recovery powers under SARFAESI Act. More in Pillar#1B2	- Housing Finance Companies have SARFAESI powers. But, all types of NBFCs don't have it. (More in Pillar#1B2)
Complaints शिकायत निवारण	RBI's Ombudsman, Bank's Internal Ombudsman **	RBI's Ombudsman for NBFCs**.

**More about these Ombudsman in Pillar#1D: Insurance handout

? Find correct Statement(s) about NBFCs in India [Asked in UPSC-Prelims-2010]

- A) They cannot engage in the acquisition of securities issued by government.
 B) They cannot accept demand deposits like savings account.
 C) Both A and B D) Neither A nor B

? The main functioning of the banking system is to [Asked in UPSC-CDS-2013-II]

- (a) accept deposits and provide credit (b) accept deposits and subsidies
 (c) provide credit and subsidies (d) accept deposits, give credit and subsidies

13.23 NBFCs CAN DIRECTLY ISSUE CREDIT CARD

BEFORE	After 2022- Reform
NBFC can issue only co-branded credit cards after tying up with a banker. (e.g. Bajaj Finserv Credit with help of RBL Bank)	This facility is continued.
NBFC cannot also directly issue credit card in its own capacity (i.e. without co-branding with a banker)	Henceforth, NBFCs can do this also.
NBFC could not directly tie with the card-payment gateway such as MasterCard, Visa, Rupay.	can do this.



13.24 🚫🏦👤 NBFCs REGULATED BY RBI 🐼 (नियंत्रण/देखरेख)

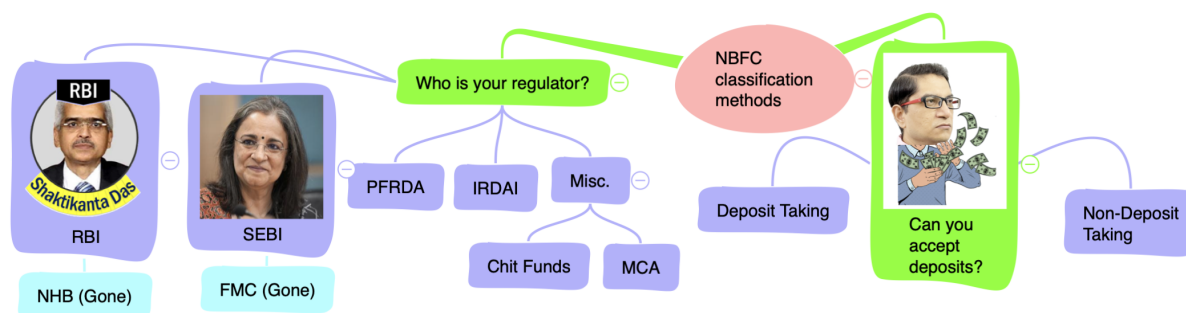


Table 10: 🎓👉 no need to remember examples, just observe pattern

Investment and Credit Company	They mainly help buying 'assets/machinery' like tractor, bulldozer, etc E.g. SREI Equipment Finance, Limited
Consumer Durable Loan Finance /BNPL	- Help buying TV, Fridge, Mobile, AC etc. with Buy now Pay later (BNPL) / Equated Monthly Instalment (EMI) model. - Eg. Bajaj Finserv, Flexpay, Zestpay etc.
Core Investment Company (CIC)	- They do long term investment in Companies. E.g. Tata Capital, Reliance Capital, IL&FS - IL&FS in controversy because couldn't repay interest to lenders. 📄 <i>More in next Pillar1B1: NPA handout.</i>
Infrastructure Finance Company (IFC)	Basically, they give loan for infra. Projects like highway, airport, powerplants. (बुनियादी अवसंरचना के लिए दीर्घ अवधि के लोन)
Infrastructure Debt Fund (IDF)	- E.g. Rural Electrification Company Ltd. (REC) - L&T IDF, Kotak IDF, IDFC IDF ("IDFC First" has separate license for Private Sector Bank).
Asset Reconstruction Companies (ARC)	They buy bad loans / NPA from Banks & other NBFCs, and try to salvage value from the underlying assets. E.g Anil Ambani's Reliance ARC.
Factoring Companies	They lend short term money to client against his invoices / accounts receivable. E.g. IFCI Factors. (What is Factoring? Ans. 📄Pillar#1C)



Gold Loan Companies	e.g. Muthoot gold loan, Mannapuram Gold. RBI decides their Loan to Value ratio (LTV) (More in 📄 Pillar#1A2).
🏠 Home Loan Companies	- such as DHFL, Muthoot Housing finance etc. Housing Finance Companies. - RBI regulates them since 2019. [Before 2019, National Housing Bank / NHB regulated them. Some very old PYQ asked about it. so I gave this historical info, Otherwise donot loose Blood Pressure over this.]
Micro Finance Institutions (MFI: सूक्ष्म वित्त संस्थान)	- 2010: RBI's Y. H. Malegam Committee → RBI created a new NBFC category called Micro Finance Institution (MFI) - eg: Bandhan (W.Bengal, separately got PvB license), Disha (A'Bad: separately got SFB license), SKS (Andhra), Cashpor (UP), Ujjivan (Karnataka). - They provide financial services to the poor such as micro-savings, micro-credit, micro-insurance. - They give small loans (micro-credit) to poor without collateral. - Who regulates them? RBI. Plus some regulation also done by Ministry of Corporate Affairs. (What/HOW? NOTIMP) - Who can borrow from MFI? Ans. Household whose annual income is not more than ₹ 1.25 lakh (rural) or ₹ 2 lakhs (urban). - How much can one person borrow from an MFI? Ans. Not More than ₹ 1.25 lakh. - RBI recognized two SROs (self-regulating org.) for Microfinance- (1) MFIN (2014) and (2) "Sa-Dhan" (2024)
MUDRA (2015)	- A non-deposit taking NBFC owned by SIDBI. It gives indirect loans to Micro enterprises through PM Mudra Yojana. - 📄 More in Pillar1D- Financial Inclusion.
Money Changers/ Authorised dealers (AD) for foreign currency	- They help the clients buy/sell foreign currencies e.g. Rupee to Dollars - They have to obtain license from RBI under FEMA (Foreign Exchange Management Act, 1999) - Both banks & NBFC can get this license from RBI.
Residuary (अवशिष्ट)	- Any NBFC not regulated by any other regulator (e.g. SEBI, IRDAI, PFRDA)- falls under RBI's purview.

MCQ. The service(s) rendered under microfinance is/are : (Prelims-2011)

1. Credit facilities 2. Savings facilities 3. Insurance facilities 4. Fund Transfer facilities



Codes: (a) 1 only (b) 1 and 4 only (c) 2 and 3 only (d) 1,2,3 and 4

13.25 FINTECH COMPANIES

FinTech Companies provide **innovative solutions** for money/financial transaction/loan/sharemarket etc using digital technology. (प्रौद्योगिकी की मदद से पारंपरिक वित्तीय लेनदेन आदि की क्रियाओं को बेहतर बनाता है)

13.25.1 Fintech regulated by RBI

P2P Lenders	- It is like Olx-Quickr connecting sellers of second hand goods with buyers. the P2P lending websites connect borrowers and lenders. E.g. Faircent.com, Cashkumar.com, CRED Mint etc. - 2021- CRED Mint launched. Newspapers gone crazy so Babushonas are demanding that I should teach them PHD thesis on its business model. 🙌 Bhai, I'll not teach it. Look @PYQ in this Handout
Account Aggregators (AA)	- They manage information of a customer's financial assets & display it to him or to third party (like loan giver, credit rating company & Apps). - 2018: RBI gave license to 5 companies- NeSL, Cookiejar etc.
Loan Aggregators (ऋण समूहन)	E.g. Loanadda.com, Moneytap.com, Loanbazaar, Paisabazaar etc. portals - 🤖 Challenges? Often these digital platforms that act as outsourced agents of banks/NBFCs to sell loans. - But, customers face difficulty in complaint/grievance redressal. - Now even Google Pay app developing features for loans. So RBI has expressed its displeasure and is presently working on rules to fix this.
Payment Aggregators	- They help sellers to accept payment from buyer by providing technological solutions - E.g. Razerpay. Seller opens account on Razerpay website-> embeds the code/link in his own website-> can accept payment through credit card, debit card, netbanking, UPI JioMoney, Mobikwik, Airtel Money - Further subtypes: Online Payment Aggregators Vs Offline Payment Aggregators but internal difference not imp. for IAS exam.
Mobile Wallet App	- PhonePe, MobiKwik, Paytm etc many apps/services. - Learned enough about them in Pillar1A1 subtopic digital payments.

13.25.2 Fintech regulated by NON-RBI org (e.g SEBI, IRDAI)

Type	Examples	Regulator
Discount brokers	e.g. Zerodha, Upstox, 5paisa, Groww. They help the clients buy/sell shares/bonds etc online via mobile apps / webportals.	SEBI
Insurance Web	e.g Policybazaar.com. Help client find & compare the insurance	IRDAI



Aggregator	policies of various companies.	
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👤 **FAQ: Tell me about Fintech pension companies regulated PFRDA?** Ans. Nothing newsworthy/important in that category YET- to deserve our time / energy for UPSC prep.

13.25.3 🗡️🦊 Digital Lenders - RBI classified them into 3 groups

	Organization	Examples	👤⚖️ Regulator
1	giving loans online and regulated by RBI	Banks, P2P lenders	RBI itself
2	Giving loans online but NOT regulated by RBI but some other regulator e.g. SEBI	Venture Capital Funds (VCF)	SEBI
3	Giving loans online but not regulated by anyone = their App will be shut down. Legal action will be taken.	unauthorized digital lenders : Goonda/mafia ke online mobile app for giving online loans.	Nobody / illegal.

Note: RBI keeps releasing guidelines for digital lending. But daily-commentary not important. Sufficient to know that such guidelines mostly deal with customer protection.

13.26 👤🦊 FINTECH → SELF-REGULATORY ORGANISATION (SRO)



- An SRO is a non-governmental organisation that regulates a particular industry. (गैर सरकारी संस्था जो किसी औद्योगिक क्षेत्र का स्व-नियंत्रण करती है)
- Objective? To enforce transparency, fair competition, ethical practices, protect consumer & workers, dispute resolution among the companies, training and skill development programs for workers. (पारदर्शिता, न्यायोचित स्पर्धा, नैतिक आचरण, ग्राहक सुरक्षा, विवाद निपटान, तालीम कौशल वर्धन)

Example from News Industry

News Type	Printed Newspapers	Digital News Channel (e.g Lallantop, Firstpost), Private TV News Channels (e.g AajTak)
Regulator?	Press Council of India	News Broadcasters & Digital Association (NBDA)
Type?	Statutory body/regulator setup by Parliament's law in 1978	Self-regulatory organisation (SRO) created by the private sector players. NBDA is not a government body or statutory body or constitutional body.

- 2024- RBI recognized 'Fintech Association for Consumer Empowerment (FACE)' as an SRO for FinTech.

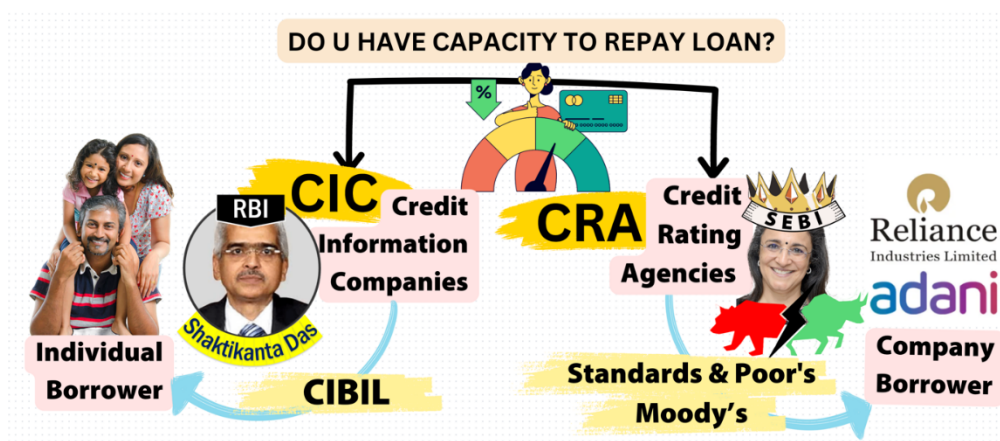
13.26.1 😍 FinTech SRO-Benefits?

- 😍 1) Reduce RBI's workload in supervision.



- 😍 2) Establish a proper link between RBI and the fintech companies.
- 😍 3) setup rules/standards for data-privacy, cyber security, mis-selling, ethical conduct, complaint/grievance redressal for consumers.

13.26.2 🚫🏠🔍🧐 Credit Information Companies (CIC) versus Credit Rating Agencies (CRA)



	Credit Information Companies (CIC)	Credit Rating Agencies (CRA)
Regulator	RBI regulates them	SEBI regulates them
EXAMPLES (उदाहरण)	CIBIL TransUnion, CRIF High Mark, Equifax and Experian.	⇒ Standards and Poor's, Moody's, CRISIL, CARE, ICRA, FITCH Ratings India, SMERA. ⇒ Brickwork Ratings India = SEBI ordered it to shut office due to malpractices.
They check the credit worthiness/ loan repayment capacity of	"Individual Persons" (एकल व्यक्ति के कर्ज वापस चुकाने की औकात है कि नहीं उसका मूल्यांकन करते हैं)	companies, NBFCs, governments, local bodies, non-profit organizations. They do not check it for individual persons. (संस्थानों की कर्जा वापस चुकाने की औकात का मूल्यांकन करते हैं. एक एक इंसान के लिए नहीं करते)
Rating	numerical scores. e.g. CIBIL Score 300-900.	alphabetical symbols e.g. AAA, AA-, D- etc.
Utility? (उपयोगिता)	Better the score → 1) Loan application passed faster. 2) You'll may to pay lower interest rate. similar to the left cell.	

? MCQ. Find Correct about credit rating agencies (CRA) in India? (Prelims-2022)

1. They are regulated by the Reserve Bank of India.
2. The rating agency popularly known as ICRA is a public limited company.
3. Brickwork Ratings is an Indian credit rating agency.



Which of the statements given above are correct ?

- (a) 1 and 2 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

13.26.3 🕒👉🏠🏠 Borrower consent not req in CIC Act for data collection

- ⇒ The Credit Information Companies (Regulation) Act, 2005 allows the CIC companies to collect the data of borrowers without their consent.
- ⇒ PIL in SC ke CIC “illegally” collecting people’s financial information without their consent & “selling the data to others”. CIC must be required to delete borrower’s data after 7 years etc.
- ⇒ RBI told SC ke law allows it & Ye ek Faaltu-PIL hai.

13.27 🚫🏠👉🏠 NBFCs REGULATED BY SEBI 🐱 (📄 MORE IN PILLAR#1C)



Stock Broker	- They help clients buy-sell Shares/Bonds depending on his instructions E.g. Motilal Oswal, Sherkhan, Indiabulls, , Karvy etc. - Karvy did a fraud/scam → SEBI banned Karvy for 7 years from 2023.
Discount Broker	- e.g. Zerodha, Upstox, 5paisa, Groww. They help the clients buy/sell shares/bonds etc online through mobile apps. Discount-brokers’ operational costs are lowers, as they do not keep large number of sales-agents or physical offices. - Therefore, discount-brokers charge less commission than traditional Stock brokers such as Motilal Oswal or Sherkhan.
Mutual Funds (MF)	- They pool clients’ money and MF-manager invests it in shares/bonds using his own discretion & expertise. - E.g. SBI's Shariah Equity Mutual Fund: clients' money invested in Sharia compliant Cos. That don’t deal with alcohol, pork, debt, tobacco or weapons.
REITs / InvITs	- Pool & invest money in real estate / infra projects e.g. IRB. <📄 More in Pillar#1C: SEBI Handout>
Investment Banks: (USA term) & Merchant Banking Companies: (UK term)	⇒ Underwriting (=helping companies launch IPO), Merger & Acquisition, Wealth Management of rich people: ⇒ E.g. Kotak Mahindra, Citigroup, Bank of America, DSP Merrill Lynch, Morgan Stanley, SBI capital ⇒ 2021: SEBI allowed payments banks to act as investment bankers (after fulfilling the rules/regulations of SEBI).
Venture Capital	VCF Help startup companies to arrange capital e.g. IFCI-VCF, IDG-VCF



Fund (VCF)	
Market Infrastructure Institutions (MII)	3 sub-types (Ref: Pillar#1C for more) - 1) Stock exchanges (BSE/NSE etc) - help buyer/seller connect in secondary market - 2) Depositories (NSDL/CDSL etc): help clients store shares, bonds etc DIGITALLY in the demat account. - 3) Clearing houses/Central Counter-Parties (e.g. CCIL): help settling the trade by transferring money to seller and transferring shares to buyer. (Ref: Pillar#1C for more)

13.28 🚫🏦👤🔗 NBFCs REGULATED BY OTHERS 🐱



Regulator	Example NBFC Companies
IRDAI More in Pill1D)	Insurance Regulatory and Development Authority (IRDAI) regulates: - 1) Life Insurance companies e.g. LIC, HDFC Standard Life Insurance - 2) Non-Life (=General) insurance e.g. IFFCO-Tokyo General Insurance. - 3) Policy aggregator web-platforms such Policybazaar.com
PFRDA More in Pill1D)	Pension Fund Regulatory and Development Authority (PFRDA) regulates all Pension Funds, except EPFO & other statutory funds.
Ministry of Corporate Affairs	1. NIDHI Companies: Mutual benefit club, only members can borrow. e.g. South Madras Benefit Fund Ltd, Maben Nidhi Ltd (of Mannapuram group) 2. Microfinance Companies: learned in previous section. Microfinance Companies' some regulation by RBI. and some of the regulation done by Corporate Affairs Ministry. (Why/How=NOTIMP. थोड़ा-पढ़ो-आगे-बढ़ो.)
State Registrar of Chit Funds	It regulates 'Chit funds'. e.g. Shriram Chit fund. It is a type of collective investment scheme with monthly contributions & borrowing by contributing members Chits. (Ref Pillar#1D)

13.29 🐼(🚫🏦): NBFC: SHADOW BANKING (आभासी / प्रतिछाया बैंकिंग प्रणाली)

- ⇒ ES20 observed: Shadow banking is a set of activities and institutions. They operate partially (or fully) outside the traditional commercial banking sector. They are not fully regulated by the RBI. ये संस्थाएं पारंपरिक बैंकिंग नियमों के दायरे से बाहर काम करती हैं।
- ⇒ They mobilize funds by borrowing from banks, issuing Commercial Papers (CP) and Bonds (=Non-convertible debentures)



Table 11: Three important segments of the shadow banking system in India

HFCs	Housing Finance Companies. E.g. Dewan Housing Finance Limited (DHFL)
LDMFs	- Liquid Debt Mutual Funds invest clients money into short term debt instruments such as T-bill (of Govt) and Commercial Papers (of companies). - e.g. certain schemes by UTI, Kotak, L&T, Tata mutual funds
Retail-NBFCs	Retail Non-Banking Financial Companies such As Gold Loan Companies, Asset Finance Companies etc.

Shadow banking system's assets are risky. Sometimes they can't honour their obligations/bond repayments. It results into severe crisis, as seen in the ILFS crisis (2019). (उनकी संपत्तिया जोखिमपूर्ण होती है)

(More in **Pillar#1B2: Burning issues in Banking Sector**)

13.30 NBFC-NOT ALLOWED IN INDIA: ISLAMIC BANKING

- Interest (*Riba*) is prohibited (Haram) in Islam. So, Islamic Banking operates through *Ijara*, *Murbaha*, *Musharaka* mechanisms- in which depositors' money is invested in borrower's property / business and returns are shared in form of rent / profit but not in the form of Interest.
- Some committees said give permission to Islamic Banks in India, but RBI is opposed (2017).
- 2017: Kerala Govt allowed opening of a Islamic Bank by registering it as "co-operative society", so as to avoid the RBI's ban. But further, legal controversy notimp. 🎓👉
- 👍 **Pro-Arguments?** Financial inclusion of Minorities/Muslims. अल्पसंख्यकों का वित्तीय समावेशन

Anti-Arguments against allowing Islamic Banking in India?

- Specialized Manpower required. Secular India's PM-Jan-Dhan Yojana & Post Office Payment bank efforts are sufficient. (भारत में बैंक-बचत की सेक्यूलर/धर्मनिरपेक्ष सेवाएं उपलब्ध. अलग से एक धर्म विशेष के लिए वित्तीय सेवा देने की कोई ज़रूरत नहीं)
- USA Govt alleges their involvement in terror finance & money laundering. (अमरीकी सरकार का आरोप है कि ये संस्थाएँ आतंकीओ को पैसा पहुँचाना, और काले धन को वैध/सफ़ेद बनाने जैसे ग़ैर-क़ानूनी काम करती है।)

13.31 INFORMAL FINANCIAL INTERMEDIARIES

- Unlike banks/NBFCs, they provide loans without formal application procedure, etc but require Property/Vehicle/Home/Goods/Crop/Gold etc. as collaterals/pawn. (संपत्ति गिरवी रखवा के कर्ज)
- They charge very high compound interest rates & use muscle power for recovery (ऊँचे ब्याजदर, वसूली के लिए धमकाना-बलप्रयोग करना.)
- For every Rs.100 borrowed by a rural household, 33% from informal money lenders, remaining from banks, friends-family etc. (2012 data) ((अनौपचारिक वित्तीय मध्यस्थ/ब्याजखोर)
- They don't fall under RBI purview, but State Govts have individual laws to regulate them e.g. Bombay Moneylenders Act 1947, Kerala (1958), Gujarat (2011). These laws require such informal lenders to register, impose ceiling on the interest rate & prohibit strong-arm tactics.



(रिजर्व बैंक की निगरानी में नहीं किंतु राज्य सरकारों ने नियंत्रण के लिए कानून बनाए- पंजीकरण, ब्याज की महत्तम सीमा निर्धारित करना, बलप्रयोग/जबरन वसूली पर रोक)

Table 12: Following Examples/Differentiation not imp for IAS Exam but Banking Exams

Types →	Indigenous Banker (देशी बैंकर)	Moneylender / Brokers
<i>Medieval time known as →</i>	Shroff, Shikarpuri, Chettiar, Marwari, Aiyar, Rastogi	Kabuli Pathan, Quistwala, Arhatia, Village Bania, Soni, Mahajan & Seth, Pawnbrokers, Financial Brokers
<i>Money mobilization → पैसा कहाँ से लाते हैं</i>	They used to mobilize money from Public via: 1) Hundi: bill of exchange; 2) Commercial bills	They use their own savings-money (or sometimes some villain's black money- स्वयं का पैसा कर्जे पर देते या किसी भ्रष्ट नेता अफसर का काला धन कर्जे पर घुमाते)

13.31.1 📝 Mains Answer Writing

- From this particular topic, the Mains angles are centred around – problems of PSBs/nationalization, is privatization of banks a panacea? importance of bank-NBFC in economic growth and human development ? etc.
- This Raftaar-courses deals purely with Prelims and NOT with Mains. There is separate course for Mains. Go to my profile page. <https://unacademy.com/@mrunal.org/courses?type=latest>

📄 Next HDT: 🔥 1B2: Burning Issues in Banking: Bad Loans, NPA, IBC, SARFAESI, BASEL etc.



Pillar#1B-2: Bad loans & other Burning issues in Banking sector

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14 🔥🔪 BAD LOANS & OTHER BURNING ISSUES IN BANKING

14.11 🔪 LOAN TYPES:

14.11.1 🔪 Loan types: depending on guarantee / Collateral

Secured Loans	Unsecured Loans (collateral free loans)
where borrower has to pledge an asset as security while borrowing from the lender. e.g. home loans, gold loans, automobile loans. Biz Loans by pledging fix deposit certificates, shares, bonds, factory etc.	boravar does not pledge asset as collateral. e.g. Overdraft, Credit Card, Personal loans for wedding/travel, student loans, farmer loans etc.
Banker's risk is lower. So loan interest rates may be lower.	Higher risk. Higher interest rate. Exception: in education loans, Micro enterprise loans, farmer loans etc. Union government provides credit guarantee against the losses of the bank. So such loans may be 'unsecured', YET cheap interest rate. (Ref: Pillar#1D for more.)
Amount is usually higher than unsecured loan. (मोटी मात्रा का लोन मिलता है)	lower. क्योंकि आप कुछ गिरवी नहीं रख रहे तो बैंक कोई आपको अरबों रुपये तो देगा नहीं।
Longer tenure of repayment e.g. 15–20 years (लंबी अवधि का लोन मिलता है)	Shorter. (because the banker would want to recover the money as fast as he can)

14.11.2 🔪 Loan Types: Based on Interest Rate

Fixed Interest Loan (निश्चित ब्याजदर का ऋण)	📍 Floating Interest Loan (चलायमान)
e.g. Short-term crop loans upto ₹3 lakh for farmers at fixed Interest 7%. This interest rate will not be changed throughout the loan tenure.	e.g. (External Benchmark) + spread + risk premium. (Ref#1A2-MonPolicy). But benchmark is regularly updated. So resultant interest rate may increase or decrease throughout the tenure of loan.
टीजर लोन यानी कि ऐसे लुभावने लोन जहाँ शुरुआती वर्षों में ब्याज दर बहुत कम रहे लेकिन बाद के वर्षों में ग्राहक पर बड़ा ब्याज दर थोप दिया जाए. अमेरिका में सबप्राइम संकट के पीछे	Teaser Loan: A sub-type of Floating interest rate loan, wherein initial years have low interest, but afterwards- higher interest rate. RBI has not



Fixed Interest Loan (निश्चित ब्याजदर का ऋण)	Floating Interest Loan (चलायमान)
इसे कारण माना जाता था	banned Teaser loans but RBI has put stricter regulations on them from 2011.

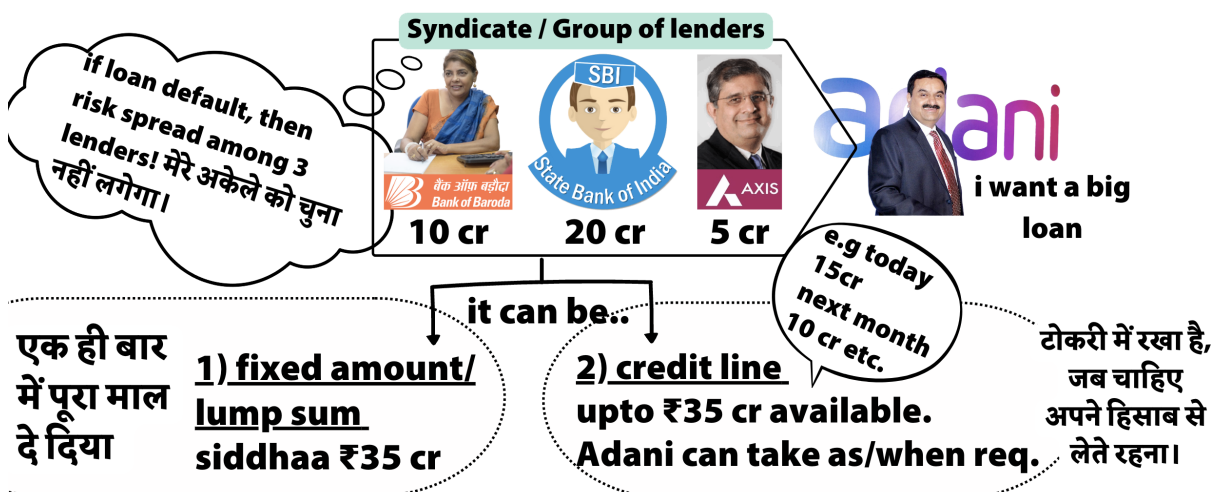
14.11.3 🗄️ loan Types: Based on Borrowers

👤 Prime Borrower	He has the capacity to repay loans. (वो कर्ज वापस चुकाने की क्षमता रखता है)
👤 Subprime Borrower (Individual)	Such person doesn't have the capacity to repay loan. Giving teaser rate home loans to them caused Sub-prime Crisis in USA (2007-08), ultimately led to Global Financial Crisis (GFC). (More in 📄 Pillar#3).
👤 Overleveraged Borrower (Company)	Such company has borrowed too much money than its ability to pay it back. An Overleveraged company has high ratio of Debt (Bonds/loans) to Equity (Shares -more in pill1C). वापस करने की क्षमता से भी अधिक कर्ज ले लिया है
👤 Zombie Lending	When a weak bank keeps giving new loans to a subprime / overleveraged borrower. कमजोर बैंक, कमजोर कर्जदार को लोन देता रहे है
Impaired Loan क्षतिग्रस्त ऋण.	It is a loan that is not performing according to the original terms of the agreement. Basically loan not getting repaid on time.

AB CD ? Why is the offering of "teaser loans" by commercial banks a cause of economic concern? (Pre-2011)

- The teaser loans are considered to be an aspect of sub-prime lending and banks may be exposed to the risk of defaulters in future.
- In India, the teaser loans are mostly given to inexperienced entrepreneurs to set up manufacturing or export units. (बिनअनुभवी नौसीखिए उद्यमियों को विनिर्माण और निर्यात इकाइयों बनाने के लिए टीजर लोन दिए जाते हैं) Codes: Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 or 2

14.11.4 🗄️ Loan Types → Syndicated Lending, Credit Line



MCQ. Consider the following statements: (Pre'24-set-C-Q42)

StI: Syndicated lending spreads the risk of borrower default across multiple lenders.

StII: The syndicated loan can be a fixed amount/lump sum of funds, but cannot be a credit line.

Codes: (a) Both I & II are correct & II is the correct explanation for 1

(b) Both I & II are correct & II is not the correct explanation for 1

(c) I is correct but II is wrong (d) I is wrong but II is correct



Note: UPSC cancelled above MCQ, due to error in Hindi translation.

14.11.5 ✂️ Loan Types → financial-debt vs non-financial debt (वित्तीय ऋण/ गैर-वित्तीय ऋण)

G-sec Bank loan Bonds /
T-Bill Credit Card Debentures

we're borrowing money for ourselves = Non-financial Debt

Repo, MSF Bonds

we're borrowing money so we can give it as loan to others = Financial debt

AB CD ? In Indian economy, non-financial debt includes ____ ? (Prelims-2020 SetB- Q84)

(1) Housing loans owed by households (2) Amounts outstanding on credit cards (3) Treasury bills

Codes: [a] 1 only [b] 1 and 2 only [c] 3 only [d] 1, 2 and 3

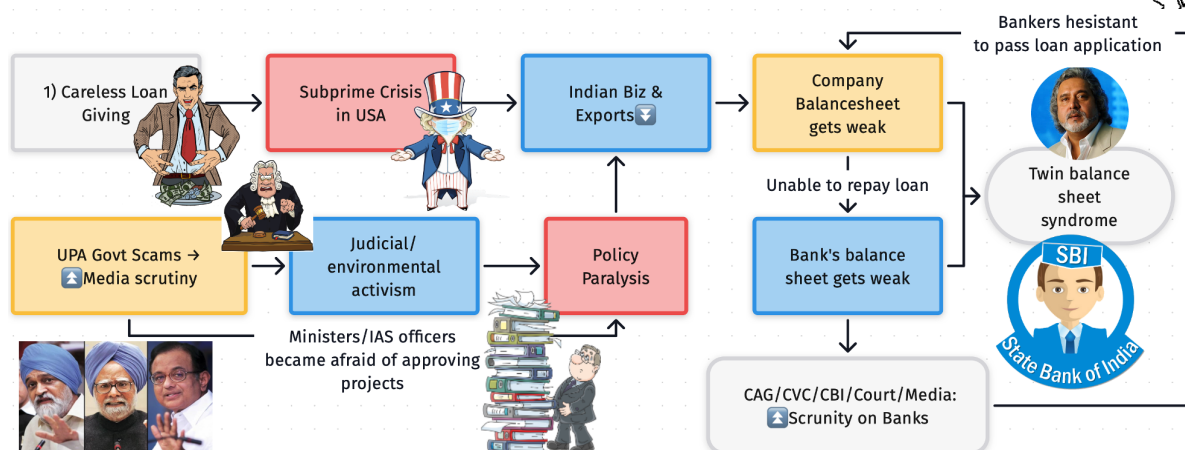
14.11.6 🐼✂️👤 only RBI can decide credit card interest rate ruled SC (2024)

- Banking Regulation Act, 1949 says only RBI can decide the loan interest rates. Courts cannot interfere in this.
- Then, some Bankers started levying 36–49% rates of interest on credit card late payments.
- **2008:** Consumer Court (National Consumer Disputes Redressal Commission (NCDRC)) ruled that banks could not charge more than 30% interest.
- Bankers went to Supreme Court against this decision of Consumer Court.
- **2024:** SC ruled: “only RBI can decide interest rate. Consumer court cannot decide. - as per Banking Regulation Act, 1949.”

14.11.7 ✂️👤💰😓😭 NPA / TBS Problem: Three Stages of _ _ _ .

1. 😓 **Till mid-2000s:** Boom period in global economy. Indian Corporates were taking large amount of loans & became over-leveraged. (भुगतान की क्षमता से बड़ा लोन लेना)
2. 😓 **From 2007-08:** Subprime & Global Financial Crisis (GFC: वैश्विक आर्थिक संकट): Indian exports ↓ . UPA govt's policy paralysis & judicial activism, environment activism ⇒ projects delayed. Companies began facing difficulties finishing projects & repaying loans. (नीतिगत पक्षाघात और न्यायिक सक्रियता, पर्यावरण सक्रियता के चलते प्रोजेक्ट खत्म करने में विलंब।)
3. 😓 **By 2013:** ~1/3rd of the bank loans were owned by “IC1 companies” i.e. companies with interest coverage ratio less than 1, meaning they were not generating enough revenue even to repay the loan interest. (IC>1 is good and IC <1 is bad.)

Thus, balance-sheets of (1) some Large Corporates Companies & (2) Public Sector Banks (PSB) became weak. It is called “Twin balance sheet syndrome (TBS)” [दोहरे तुलनपत्र की समस्या] by Economic Survey 2015-16.



AB CD ? What is the importance of “Interest Coverage Ratio” of a firm in India? (Prelims-2020)

1. It helps in understanding the present risk of a firm that a bank is going to give a loan to.
2. It helps in evaluating the emerging risk of a firm that a bank is going to give a loan to.
3. The higher a borrowing firm's level of ICR, the worse is its ability to service its debt.

Answer Code: (a) 1 and 2 only (b) 2 only (c) 1 and 3 only (d) 1, 2 and 3

14.12 NON-PERFORMING ASSETS (अनर्जक परिसंपत्तियां)

- If loan principal or interest is not paid for more than 90 days from its due date, then such loan account is classified as Non-Performing Asset (NPA). किस्त जमा करने की नियत तिथि/तारीख के ऊपर भी 90 दिनों से अधिक हो चुके हो किन्तु किस्त जमा नहीं की गयी तो....
- For farm loans, NPA is not counted on number of days but on number of cropping seasons. कृषि ऋण में महीनों के हिसाब से नहीं फसल की मौसम/ऋतु के हिसाब से होता है

14.12.1 NPA greatly declined- said Economic Survey 2024

ES24: loan recoveries and loan write-offs helped in this decrease.

14.12.2 NPA related definitions in Banking Sector

Std. Assets	Loan account where borrower is repaying the principal and interest in timely fashion. (आदर्श परिसंपत्तिया= नियमित ब्याज मुद्दल/ मूलधन मिला)
SMA-0	If loan principal or interest unpaid for 1-30 days from its due date, then such loan account is classified as Special Mention Account-0 .
SMA-1	31-60 days
SMA-2	61-90 days
Provisioning प्रावधानीकरण	As per RBI norms, banks must set aside funds to cover losses against their NPA. Such 'provisioning of funds' ↓ decrease profitability of the Bank.
Gross NPA (GNPA:)	- Gross non-performing assets = grand total of all NPA loans(कुल योग)
NET NPA	NET NPA (शुद्ध एनपीए) = GNPA Minus Provisioning WHAT IT MEANS? NOTIMP
Substandard asset	When loan account remains in the NPA classification for 12 months or more/> (रद्दी/चटिया परिसंपत्तिया- जब कोई लोन खाता 12 महीना या उससे ज्यादा एनपीए श्रेणी में रहे)
Doubtful Asset	When loan account in substandard classification for 12 months or more />



Loss Asset	When a bank, its auditor or RBI declares that given doubtful asset has little / no salvageable value. (नीलामी करके भी नुकसान भरपाई असंभव)
OTS with Haircut	For example, If bank allows the borrower to pay 60% of dues & forgoes 40% as loss, then bank has offered "One time Settlement (OTS) with 40% haircut" कर्ज का कुछ हिस्सा बैंक खुद ही नुकसानी समझकर माफ कर दे।
Evergreening of loans	When a borrower taking a new loan to pay off his old loan. पुराना कर्ज चुकाने के लिए नया कर्ज दिया जाए।

14.12.3 Loan Write Off by banker to save taxes by deleting NPA from balancesheet.

- Loan write off= banker removes a loan amount from the 'asset-side' of the bank balance sheet, to save corporation tax (How? = we-are-not-here-for-CA-exam).
- Loan write-off doesn't waive bank's right to recover that bad loan, it's merely an accounting exercise for **tax-benefits**. (कराधान में कुछ रियायतों के लिए हिसाबी प्रक्रिया की जाती है। हालांकि ऐसा करने के बावजूद भी बैंकर कर्जदार से पैसा वापस तो मांग ही सकता है)
- **How does it help banker in tax savings?**Ans. Just Accept & move to next topic. ELSE watch my 9 minute video to understand it <https://youtu.be/DzNBzhYw6EY?si=fisnWCODsPTx2YrZ>
- Loan write-off ↓ **reduces the NPA% of the Bank** (Because amount is written-off/cancelled from Bank's balance sheet)
- 2022-Dec: Govt told Parliament: Banks wrote-off loans worth Rs 11.17 lakh crore in last six years

14.12.4 🗄️ Restructured Loans & Stressed Assets

Restructured loan	When principal / interest rate / tenure of the loan is modified. Banks may do it when borrower facing difficulty in repaying loans. (पुनर्गठित कर्ज / ऋण)
Stressed Asset	NPA + Loans Written-Off + Restructured Loans = Stressed Assets (तनावपूर्ण संपत्ति)

14.12.5 🤖👉👉👉 ATMANIRABHAR → Loan/EMI/NPA relief / Moratorium

- ⇒ IF a loan is outstanding as of THEN **2020-March**: RBI allowed (optional) moratorium/ suspension of loan repayment for 6 months for March, April, May, June, July, Aug.
- ⇒ So, If a borrower's income ↓ due to Corona, he gets relief from Equated Monthly Instalments (EMIs) for "X" months. (ऋण अदायगी पर 6 महीने के लिए अस्थायी रूप से मुक्ति/रोक)
- ⇒ It WAS NOT compulsory to skip EMI. Borrower MAY repay loan regularly, if his financial situation was strong. (इन महीनों में किस्ते भरना वैकल्पिक होगा. वो आर्थिक रूप से सशक्त हो तो भर सकता है)
- ⇒ Loan was not 'removed/waived'. It was only temporarily suspended. (ये कर्जा माफ़ी नहीं था. केवल कुछ महीने के लिए किस्ते भरने में छुट्टी दी गई थी- कि बाद में धीरे धीरे पूरा भर देना। उसने जितना उधार लिए, वो सारा अंत में तो पूरा चुकाना ही होगा।)

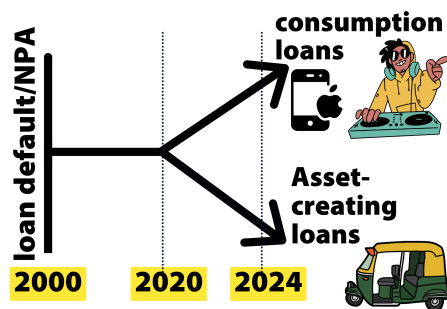
14.12.6 🧐👉👉👉 RBI's various frameworks to deal with NPA/Bad loans

- "3R" Framework for Revitalizing Stressed Assets (2015-19)
- Prudential Framework for stressed assets (2019)
- Resolution Framework 1.0 and 2.0 (2020-21)

in above frameworks, basically RBI allowed lenders to (1) give extra loans to genuine cases 2)

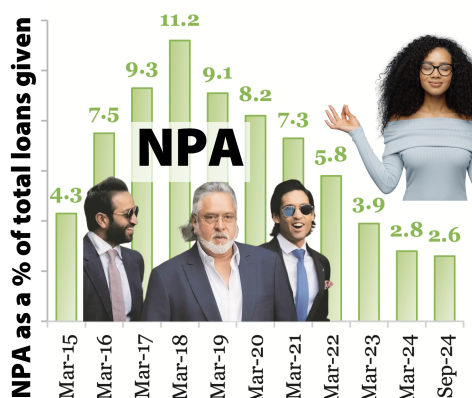
increasing loan tenure 3) ↓ loan interest rate. But **outdated topics for 2026, so removed from HDT**

14.12.7 🗄️ NPA- households' loan stress is 'k-shaped'



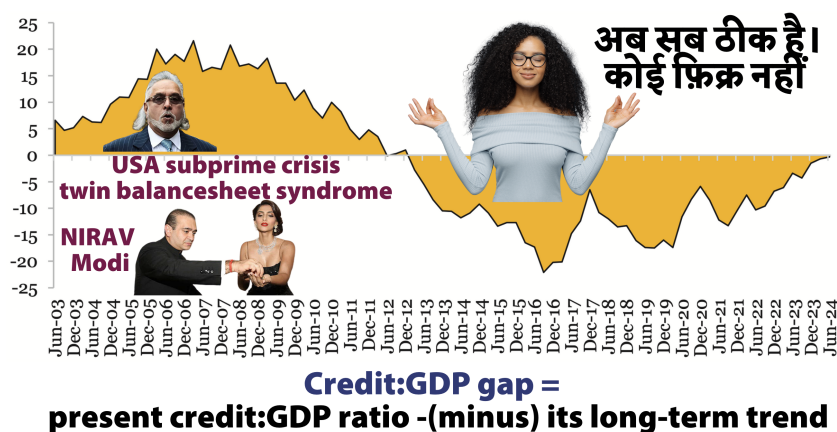
- Indian households take loans for two purpose
 - (1) **consumption loans** e.g for marriage, iPhone
 - (2) **Asset creation** e.g. home/shop/rickshaw.
- loan default/NPA/stress is increasing for cat1 and less for cat2. So it is becoming a K shaped graph said- a research firm Nomura.
- In 2024, multiple news about increase in NPA/defaults in credit card and gold loans.

14.12.8 ES25 on NPA data & observations



NPA decreased thanks to (1) loan-recovery & (2) Loan write-offs.

14.12.9 ES25: credit to GDP GAP

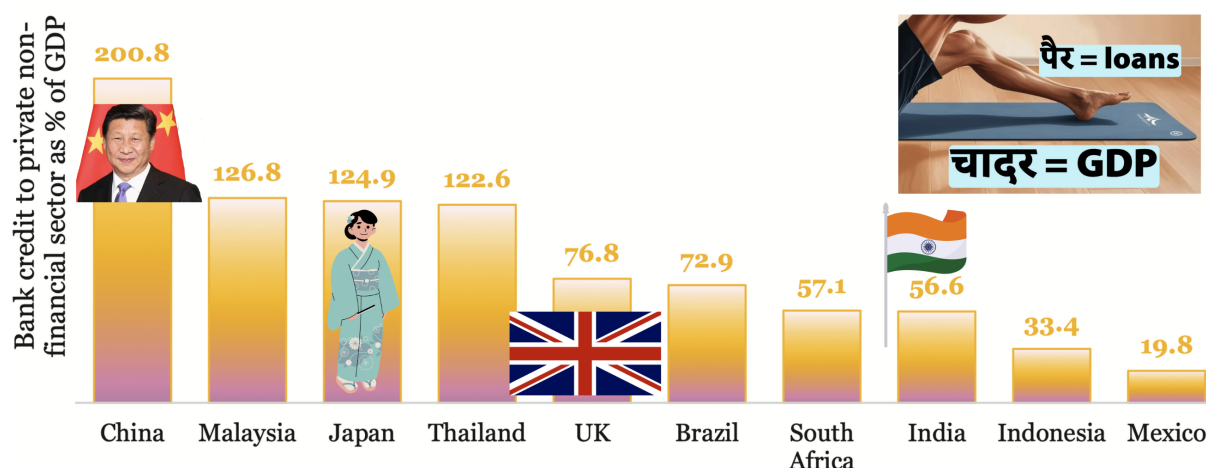


- credit:GDP gap** = Present credit : GDP ratio minus its longterm trend.
- If this gap is positive or high or above the trendline = stress/crisis is looming. e.g. 2006–12 - how USA sub-prime crisis resulted into twin balance sheet syndrome in India where both Indian companies and Indian public sector banks balance sheet got stressed with huge NPA.
- If this gap is negative = room for growth. The banking sector is sustainable.



14.12.10

ES25: Bank Credit to GDP ratio - India vs others



India's bank credit : GDP ratio is lower than US, UK, and Japan. (Meaning those others nations are facing the risk of another economic crisis.) says Economic Survey

AB CD ? 'Scheme for Sustainable Structuring of Stressed Assets (S4A)' is related to: (Prelim-2017)

- procedure for ecological costs of developmental schemes.
- ☒ scheme of RBI for reworking the financial structure of big corporates with genuine difficulties.
- disinvestment plan for Central Public Sector Undertakings.
- Provision in 'The Insolvency and Bankruptcy Code'.

Answer is B. But we'll not study topic, scheme is discontinued, and **topic outdated for 2024-25 cycle**.

AB CD ? What was the purpose of the Inter-Creditor Agreement signed by Indian banks and financial institutions under Project Shashakt? (UPSC-Prelims-2019)

- To lessen the Government of India's perennial burden of fiscal deficit and current account deficit
- To support the infrastructure projects of Central and State Governments
- To act as independent regulator in case of applications for loans of ₹ 50 crore or more
- ☒ To aim at faster resolution of stressed assets of ₹ 50 cr or more which are under consortium lending. **Answer is Option D. but now it is outdated current affairs so deleted from HDT.**

14.13 SARFAESI ACT 2002: ORIGIN, OBJECTIVE & LIMITATIONS

कर्ज नहीं चुकाया तो संपत्ति की जब्ती और नीलामी करने के लिए कानून

- ⇒ **1991: Narsimham-I** Committee on banking sector reforms observed that borrowers obtain stay orders from ordinary courts = banks have difficulty recovering NPA. So, Debt Recovery Tribunals (DRT: ऋण वसूली न्यायाधिकरण) were set up (1993)= ordinary courts can't interfere in the loan recovery process.
- ⇒ **1998: Narsimhan-II** Committee observed that DRTs need to be strengthened with a law, so, Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act enacted in 2002. [प्रतिभूतीकरण और वित्तीय आस्तियों का पुनर्गठन और प्रतिभूति हित को प्रभावी करने का अधिनियम 2002]
- ⇒ Under SARFAESI act, lenders can attach the mortgaged assets when loan is not repaid. They can change board of directors in such companies, can auction such assets, can also sell such assets to



Asset Reconstruction Companies (ARC, NBFC: परिसंपत्ति पुनर्निर्माण कंपनी). [2021: RBI setup **Sudarshan Sen Committee** to suggest reforms for ARCs]

- ⇒ SARFAESI not applicable on farm loans. (कृषि ऋण पर ये कानून लागू नहीं होता)
- ⇒ If loan-defaulter wants to obtain a stay order, he cannot go to ordinary courts. He will have to approach for DRT. If DRT doesn't help then ⇒ higher appeal to Debt Recovery Appellate Tribunal (DRAT: ऋण वसूली अपीलीय न्यायाधिकरण), but DRAT will require him to deposit minimum 50% of the loan dues (to discourage frivolous appeals). ⇒ higher appeal to high court.

14.13.1 🏠🔪👤👉 Which lenders have SARFAESI powers?

- ✓ All types of Banks- commercial and cooperative (सभी प्रकार के बैंको को मिलकत जब्ती की सत्ताएँ है)
- ✓ Housing Finance Companies (HFCs) e.g. DHFL.
- ✓ if an NBFC fulfills two conditions SIMULTANEOUSLY: (गैर बैंक वित्तीय कंपनियों को भी यह सत्ता है यदि)
 - 1) The NBFC having asset size of ₹100 cr or more, AND
 - 2) loan given is at least ₹20 lakhs.
- ✓ For example Bajaj Finserv, Reliance Capital, Muthoot Finance, IL&FS.

14.13.2 ⚖️👉 Legal Rights of Loan Defaulter in SARFAESI Act

We'll not prepare Hindi term bcoz not imp for Mains.

Right	Description (You = owner/defaulters)
Right to ample notice	After account becomes NPA → Lenders must give you 60 days notice before starting auction.
Right to be heard	You can make a representation/appeal to the lender/bank manager during the notice period.
Right to ensure fair value	e.g. if bungalow's fair market value is ₹5cr, then lender can't start auction at ₹2cr.
Right to balance proceeds	e.g. if bungalow auction fetched ₹6cr and loan due was 5 cr only. THEN lender must return ₹1cr to you.
Right to humane treatment	Recovery Agents cannot harass you or your family members. They can only contact you between 7am and 7pm.

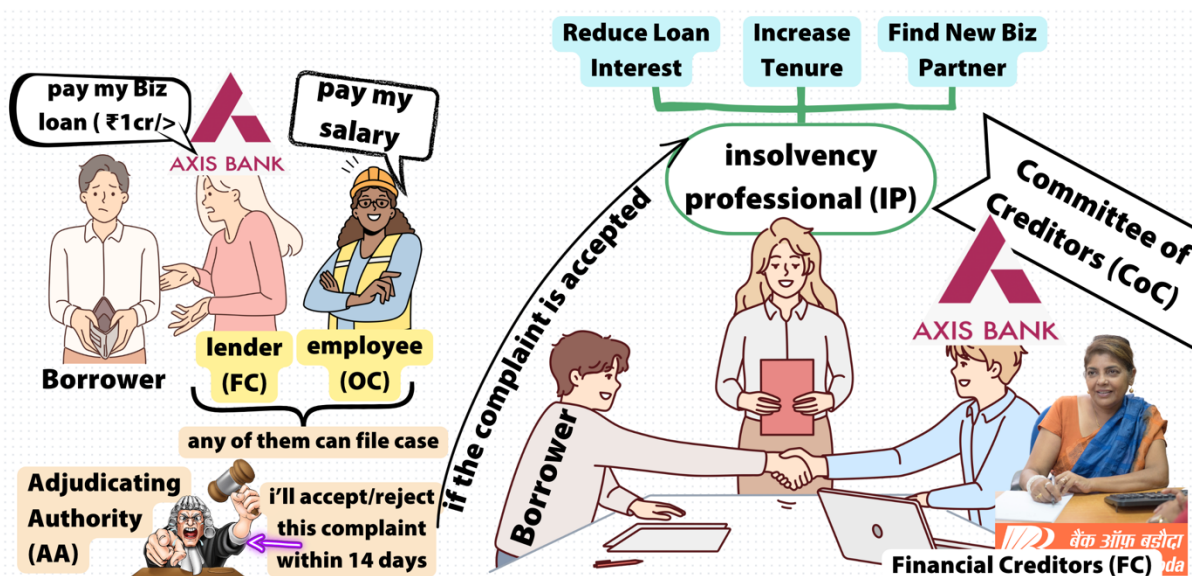
14.13.3 ⚖️🔪👤👉 Limitations of SARFAESI Act (मर्यादाएं)

- ⇒ 🧐 The DRTs & DRATs are **understaffed**. 1 lakh+ **cases pending** (2016), so, case will go on for years, borrower remained in possession of asset. (जजों की कमी के चलते केस निपटान की प्रक्रिया बहुत धीमी है)
- ⇒ 🧐 This leads to erosion of asset-value (machinery, vehicles) even when DRT allows auction at a later time. (गाड़ी/ मशीन की जल्दी नीलामी नहीं होगी तो उसके मूल्य में गिरावट आती है- जितनी पुरानी गाड़ी, उतना कम दाम।)
- ⇒ In some businesses, auction or liquidation may not yield the best returns for the banks e.g. hotel resort in remote area, where no other hoteliers are keen to invest. (हर प्रकार की संपत्ति की नीलामी में अच्छी बोली लगाने वाली मिल जाए यह जरूरी नहीं। कुछ बार मध्यम मार्गी समाधान बेहतर होता है)
- ⇒ In such cases, if the loans were restructured (i.e. reducing % interest rate, extending tenure, finding new partners), then banks could salvage more value. (इसलिए नीलामी की जगह अगर कुछ आपसी समझौता / बीच का रास्ता/ मांडवाली किया जाए तो बेहतर)
- ⇒ But, SARFAESI act **doesn't facilitate such arbitration** So, Govt. came up with a new law: IBC.



14.14 ⚖️🔪👉 INSOLVENCY AND BANKRUPTCY (I&B) CODE 2016

शोधन-अक्षमता एवं दिवालियापन संहिता 2016: कर्जदार का लेनदार के साथ समझौता/मांडवली करवाने के लिए



IBC code classifies creditors into two categories

A) Financial Creditors (FC) =	B) Operational Creditors (OC) =
banks, NBFC, bond & other debt security holders, + Home buyers. (वित्तीय लेनदार).	Suppliers, contractors, salaried employees etc. (कार्यसंबंधी लेनदार : जिन्होंने कंपनी को कुछ वस्तु/सेवा मुहैया कराई थी लेकिन उस पर पैसा बकाया है)
They can complaint under IBC code for recovery of due amount.	They can complaint under IBC code for recovery of due amount.
They can sit in the committee of creditors (CoC) for IBC proceedings.	They can't sit.

14.14.1 ⚖️🔪👉 IBC Code: Appeal Structure

Borrower	individual person or partnership firm	Company
Their Biz is registered under	various laws like Shops and Establishments Act, Indian Partnership Act, 1932 etc.	Companies Act, 2013
Adjudicating Authority (AA) / first level ki courts	Debt Recovery Tribunal (DRT) dealing with SARFAESI Act	National Company Law Tribunal (NCLT) from Companies Act
Appellate Authority	National Company Law Appellate Tribunal (NCLAT) from Companies Act	National Company Law Appellate Tribunal (NCLAT) from Companies Act
NEXT Appeal	Supreme Court (SC)	SC

Note: different websites give different interpretation. I have made the table from [IBBI Manual](#)



14.14.2 IBC: Process for resolution

- ⇒ An Insolvency Professional (IP: शोधन-अक्षमता संबंधी पेशेवर) will make a resolution plan e.g. ↓ loan interest, extend loan tenure, or IP could even find another investor to finance the pending project etc. (पेशेवर लोन-पुनर्गठन की कोशिश करेगा कि जैसे ब्याज दर कमी, समयावधि में बढ़ोतरी, नया भागीदार ढूँढना)
- ⇒ IP will present the plan to Committee of Creditors (CoC: लेनदारों की समिति) made up of the Financial Creditors (FC). In this Committee, FCs' voting power is based on amt of loans given by lender.
- ⇒ If x% of the FCs agree with such resolution plan, then it will be set in motion, **otherwise, IP will liquidate the assets to recover the loan.** (यदि वित्तीय कर्जदाताओं की समिति बहुमति से पुनर्गठन प्रस्ताव पारित न करे तो नीलामी/ परिसमापन)
- ⇒ **Budget-2024:** since 2016, IBC has resolved more than 1,000 companies, & recovered over ₹ 3.3 lakh crore to the lenders.

14.14.3 Statutory bodies related to IBC

Org	Founded under Law	HQ
National Company Law Tribunal (NCLT)	Companies Act, 2013	Delhi. With benches in many cities.
National Company Law Appellate Tribunal (NCLAT)	Companies Act, 2013	Delhi
Insolvency & Bankruptcy Board of India (IBBI)	Insolvency and Bankruptcy Code, 2016	Delhi

14.15 INSOLVENT VS WILFUL DEFAULTER

Criteria	Insolvent /incapable defaulter (दिवालिया/ असमर्थ बकाएदार)	Wilful Defaulter (इरादतन कर्ज न चुकानेवाला)
Definition	A person /company incapable to pay off loans due to shortage of money.	A person/company has capacity to repay the loans BUT not repaying the loans
Eligible for Loan Restructuring? IBC कानून में लोन पुनर्गठन का लाभ मिलेगा ?	Yes. But, IF his loan account is in NPA for more than a year, and he has no capacity to repay even partial loan amount, then no resolution will be done. His assets will be auctioned under SARFAESI Act.	NOT eligible. His assets will be auctioned under SARFAESI Act.
Can contest election / get Govt job/ become a judge?	Not allowed.	Constitution silent about this^^.

^^Bankers' Association has requested the Election Commission that wilful defaulters should not be allowed to contest election. (However, EC yet to take decision.)



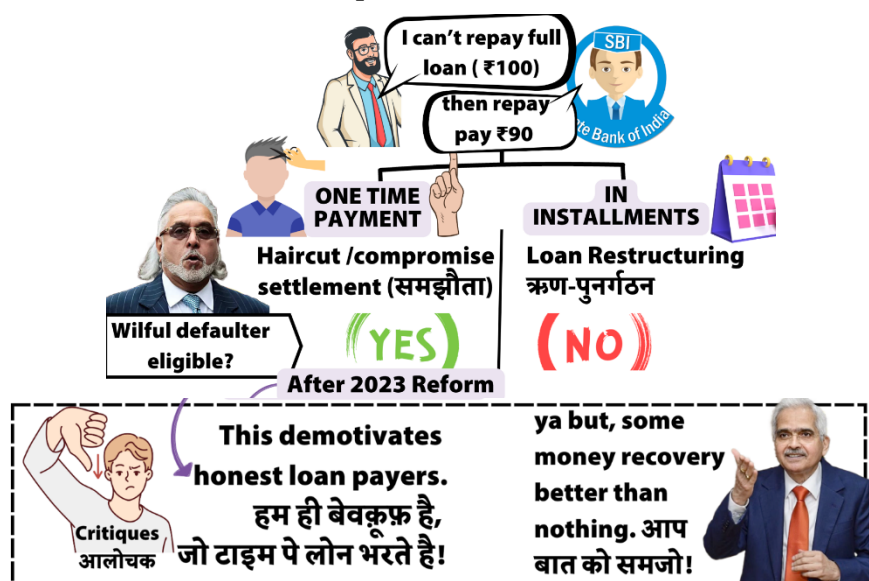
14.15.1 🗡️😞 Wilful Defaulter Data

Time Period	December 2020	December 2022
Number of Wilful Defaulters	12,911	15,778
Total Sum (in ₹ crore)	₹2,45,888 crore	₹3,40,570 crore

14.15.2 🗡️😞 Declare wilful defaulters within 6 months of NPA- says RBI Proposal

- 2012: Vijay Mallya stopped paying loans to banks. YET SBI didn't declare him wilful defaulter until 2017. (Meaning five years gone in paperwork / bureaucratic-laziness.).
- 2023: RBI proposal says banks should not take so long time. Do this exercise within 6 months AFTER accounts become NPA.

14.15.3 🗡️😞 Wilful Defaulters can do compromise settlement – RBI (2023)



14.15.4 🗡️🐱 Wilful defaulters: 6 characteristics by RBI

Wilful defaulter is a borrower who has the capacity to repay the loan but does not repay the loan. RBI listed six characteristics of such a person:

1. He deliberately does not pay the dues despite adequate cash flow and good net worth;
2. He is siphoning off funds from Company-A to Company B.
3. He did not use the loan money to purchase the asset (vehicle/factory/machine, etc.) as per the loan agreement; OR he sold such asset and siphoned the money.
4. He disposed/removed securities (collaterals) without the bank's knowledge;
5. He misrepresented/falsified the records; 6. He made fraudulent transactions.

14.15.5 🗡️👤 Guarantor (जमानतदार)

- friend, relative, business associate etc who takes legal responsibility for a borrower's debt ke 'I will repay the loan, If this loan-applicant does not repay the loan.'
- Every Bank loan doesn't require Guarantor. They're usually required in big size loan and/or borrower's credit score is not good enough



Legal consequences for Guarantor, IF borrower fails to repay

- Guarantor as liable as loan defaulter.
- Bank can take action against Guarantor for loan-recovery of principal + interest



- Bank may confiscate/attach the bank accounts of Guarantor, his property etc. depending on case.
- if Guarantor fails to repay the loan, then it will downgrade his credit score/credit-rating also.
- ****Note:**** there is internal legal difference between the two words **Guarantor vs Co-Signer**, but we will not do PHD for MCQ

14.15.6 🏠🔪👉👎 IBC Pre-Packs (पर्दे के पीछे जल्दी से केस सुलटा लेते हैं!)

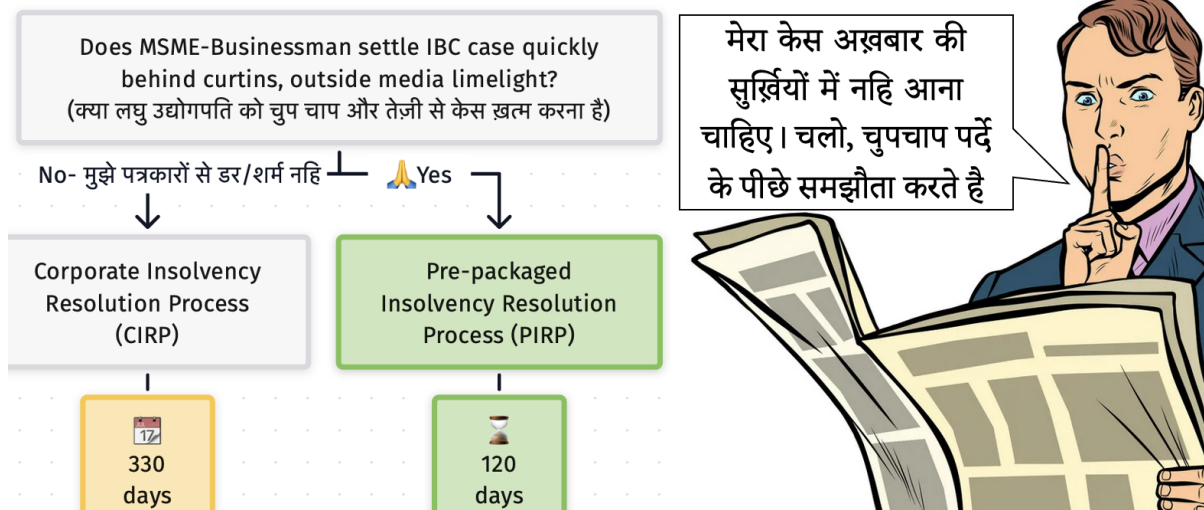


Figure 1: इज्जत की इतनी परवाह थी, तो आप टाइम पे ही लोन चुका देते, भाई!

- ⇒ **Pre-Pack System** is found in United Kingdom and the United States
- ⇒ IBC 2021 Ordinance (and later Amendment Bill) enabled this in India for MSMEs.
- ⇒ 2025- Note I've compressed this topic from handout, because now it is faded from current-affairs. So further PhD/FAQ on how it works = notimp. One liner knowledge is enough.

14.15.7 🏠👉👎 (🏠🔪👉👎) ATMANIRBHAR → IBC Ordinance/Act 2020 to suspend new cases

- ⇒ 2020: Govt issues ordinance to amend IBC Code. (अध्यादेश)
- ⇒ Corona = business is down, difficult to work out any resolution plan. So, No fresh case will be registered in IBC code for next **"X" months** Because Corona (नए केसों के दाखिले को स्थगित किया गया.)
- ⇒ "X" = 24 March 2021 🙌 Exact dates notIMP

IBC Ordinance / Act 2020	BEFORE	AFTER
Case can be filed if loan default is.....	Minimum ₹1 lakh/>>.	Minimum ₹1 crore/>>**

- ******So even after suspension is lifted, most of the small businessmen will be spared from IBC proceedings. (रोक हटाने के बाद भी नए केस दर्ज किए जाएंगे, तो सिर्फ बड़े लोन के लिए केस दर्ज किए जाएंगे)
- Govt launched schemes to help such borrowers. e.g. ECLGC. Ref: pill1D for more.

14.15.8 🏠👉👎 (🏠🔪👉👎) Insolvency and Bankruptcy Board of India (IBBI)

- ⇒ भारतीय शोधन-अक्षमता एवं दिवालियापन बोर्ड - वैधानिक संस्था
- ⇒ IBBI is the statutory body that monitors and implements I&B Code 2016.
- ⇒ IBBI's administrative control rests with Ministry of Corporate Affairs (कॉर्पोरेट मामलों का मंत्रालय).
- ⇒ It has 1 Chairman, 1 nominated member from RBI, 8 from Govt's side = total 10 people.
- ⇒ **1st chairman of IBBI:** M.S.Sahoo. Present Chairman: Ravi Mittal (2022). (अध्यक्ष)
- ⇒ Chairman has 5 years / 65 age tenure. Also eligible for reappointment (पुनःनियुक्ति संभव).
- ⇒ IBBI selects **Insolvency Professionals Agencies (IPAs)**. These IPAs enroll and supervise the members practicing as Insolvency Professionals (IPs). Presently, 3 organizations given "IPA"



status viz. 1) ICAI (Chartered Accounts) 2) ICSI (Company Secretaries) and 3) Institute of Cost Accountants.

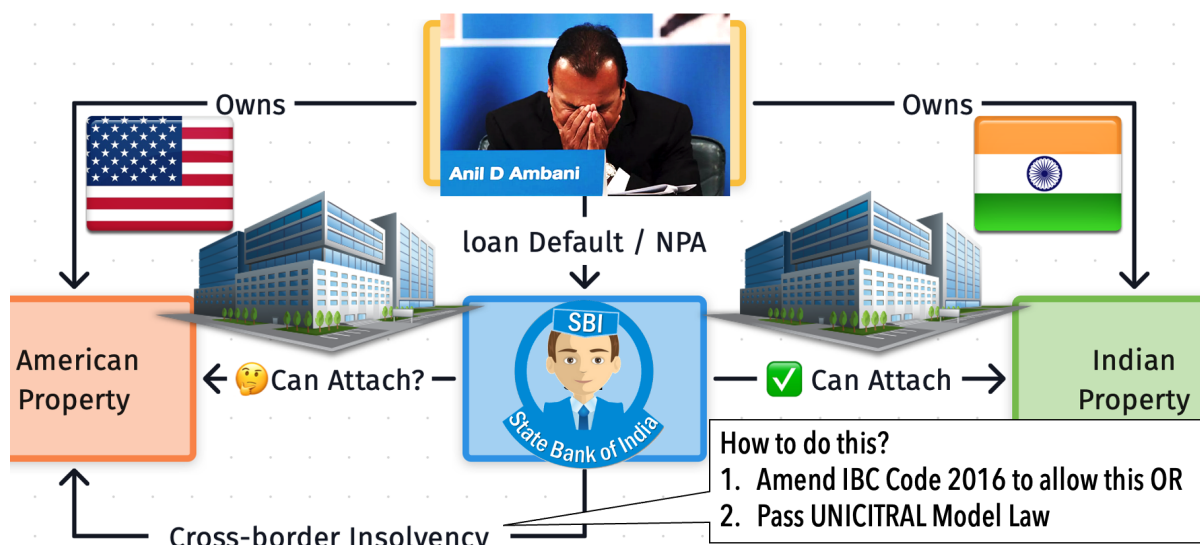
14.15.9 🕵️📡 IBBI → Information Utility

- IBBI also selects **Information Utility (IU)**: सूचना उपयोगिता संस्था organization to maintain **database of borrowers**.
- In 2017, **NeSL**: National E-Governance Services Ltd (owned by consortium of SBI, LIC etc.) was the first to get the IU status from IBBI. It is compulsory for lenders to share data with IU.
- 🥰 IU helps lenders in two ways:
 1. 🥰 by looking @borrowers' credit history, lenders can make informed decisions about whether to give loan or not, and how much interest to charge?
 2. 🥰 This database helps establishing documentary proofs during NCLT / DRT / judicial / liquidation proceedings. (कानूनी प्रक्रिया में दस्तावेजी सबूत मुहैया/उपलब्ध कराता है)

14.15.10 🕵️⚖️🔪👉(Insolvency) → Misc. Org: Indian Institute of Corporate Affairs

- IICA an autonomous body under Ministry of Corporate Affairs. (स्वायत्त संस्था)
- It has launched a two-year Graduate Insolvency Programme (GIP). स्नातक कार्यक्रम शुरू किया
- The student passing this program can register as IP, without the mandatory 10 years' experience.

14.15.11 (⚖️🔪👉🌐) Cross-border Insolvency (सीमा-पार का दिवालियापन)



what does this mean? Watch video lecture.

14.16 🕵️📡 IBC OBSERVATIONS FROM ES25

14.16.1 🕵️📡 IBC has increased forex hedging by borrowers says ES25:

- Forex hedging= purchasing Insurance against currency fluctuations.
- Suppose an importer/ exporter taken business loan. And he suffers losses because of the currency exchange fluctuation.

before IBC	After IBC
He'd not buy Forex hedging out of his arrogance and care-free bcoz he knew Bank will not be able to recover his loan very easily due to judges shortage in	he knows that he could lose control of his company under IBC. So he'd purchase Forex hedging/insurance to



before IBC	After IBC
SARFAESI Act.	prevent losses.

- Thanks to IBC, now Indian exporting firms / exporters in India have better access loans. (because their arrogance has reduced and they are buying the Forex hedging so banker passing their loans quickly.)
- 🚩👤 **FAQ by Zhande-walle Babushone:** there is a NIRVIC scheme insurance guarantee on bank loans taken by exporters (Ref-pillar1D). so why would / why should they buy forex hedging? **Ans.** Bhai tum khud PHD kar lo the terms condition of NIRVIC. I am copy pasting what economic survey has written, without self-PHD.

14.16.2 🚩👤 IBC helped reducing bond credit spreads says 📖 ES25:

- Bond credit spreads refer to the difference in yield between two bonds of similar maturity.
- normally calculated by comparing the company's Bond yield against the yield of G-Sec or Treasury Bond.
- Bond Credit Spread = Corporate Bond Yield - Treasury Bond Yield
- Higher Bond Credit Spread - may happen when investors feel corporate bond is more risky. (How? Watch the Video Lecture)
- IBC helped reducing bond credit spread, bcoz now investors feel safer to stay in the Corporate Bonds, than in the past era.

14.16.3 🚩👤 IBC benefits - misc. by 📖 ES25:

- IBC recovered ₹3.6 lakh crore from borrowers. (As of 2024-Sept.)
- improved the behaviour of the borrowers (how? learned in full length course)
- Even during economic slowdowns, RBI/government does not have offer massive-bailouts/relief packages to the bankers on loan-defaults. IBC has reduced the need for such costly interventions.

14.16.4 🚩👤 IBC Code - future suggestions by 📖 ES25:

- NCLT tribunal needs to be more stringent dealing with frivolous complaints/petition. NCLT should impose high penalty on such litigants.
- IBC is designed to provide a non-adversarial process (i.e. not treating the borrower as a criminal, finding a middle ground, collaboration and reconciliation between the lender and the borrower.) But when case reaches NCLT tribunal, it becomes a battle between the lawyers of lenders vs borrower. So court procedures need to be improved.

14.17 🚩👤 BUDGET-2025: ON LOANS/NPA

- NaBFID will set up a 'Partial Credit Enhancement Facility' for corporate bonds for infrastructure. (e.g. if Adani unable to repay bond-holders, then NaBFID will cover x% loss of bond-holders aisa kuchh we have to wait for the exact notification.)
- Public Sector Banks will develop 'Grameen Credit Score' framework to help SHG members and villagers. (because for a middle class salaried city-employee, it is easy to get a good CIBIL/Credit rating score because all of his salary and past-loan transactions are routed through the bank accounts and available in the online records, but not so easily possible for SHG/Villagers- so they need a separate framework.)
- revamped Central KYC Registry will be rolled out in 2025. (KYC= know your customers)



Note: Budget-2025 also made some announcement related to loan limits for street vendors, farmers KISAN Credit card, MSME etc. But we will see that under pillar1D3 (financial inclusion.) The nature of 1B2/NPA is different.

14.18 (🏛️🔪🤝👉👉) VOLUNTARY LIQUIDATION OF COMPANIES

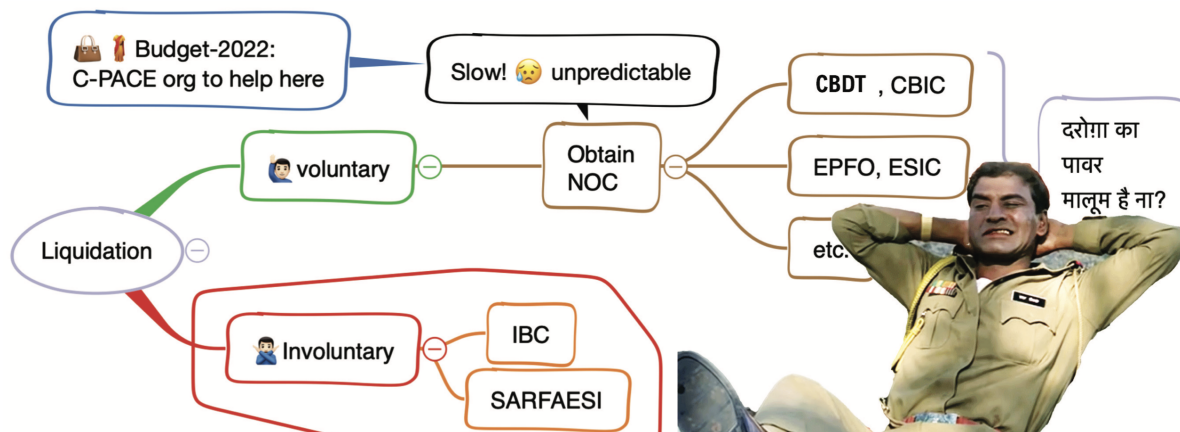


Image source: Movie Gangajal

Liquidation is the process of shutting down a company. Two type of liquidations (परिसमापन दो क्रिस) →

- ✓ 1) 🏛️♂️ **Involuntary Liquidation:** Due to loan default → it can be conducted via I) IBC code or II) SARFAESI Act depending on the case. (अनैच्छिक परिसमापन- जब कंपनी दिवालियापन दिखा दे)
- ✓ 2) 🏛️♂️ **Voluntary Liquidation:** when the owner has not committed any loan default but wants to shut down the business. Voluntary liquidation can be done through
 - A) sending application to the registrar of companies under Companies Act, 2013
 - B) sending application under the insolvency bankruptcy code.
- ✓ However Method-A is more popular than B at present. (स्वैच्छिक परिसमापन. कंपनी ने अभी तक कर्ज में दिवालियापन नहीं दिखाया लेकिन उसके धंधे/व्यापार में अच्छा भविष्य नहि दिख रहा इसलिए कम्पनी का मालिक खुद की कंपनी स्वयं बंद करना चाहता है.)
- ✓ 🏛️🔪 Budget-2022: we'll setup a Centre for Processing Accelerated Corporate Exit (C-PACE)- to faster voluntary liquidation / winding-up of the companies.

14.18.1 (🏛️🔪🤝📖📖) Economic survey on IBC/NPA: reforms (आर्थिक सर्वेक्षण)

Shifted to Mains Handout.

14.19 (👁️🗣️🔪💻🐼) CREDIT RATING / MONITORING- VARIOUS ORG/INITIATIVES

Following portals are meant to collect the information related to borrowers

Portal	Description
CIC and CRA	Learned in the previous section the previous session.
Information Utility (IU).	Created by Insolvency and bankruptcy board of India (IBBI) with help of National e-governance services Ltd (NeSL)
CRILC	RBI has setup "Central Repository of Information on Large Credits (CRILC)" for Loans above Rs 5 cr. Banks & NBFCs have to submit weekly updates in this portal.
Public Credit Registry	Proposed by RBI's Yeshwant M. Deosthalee Committee. RBI yet to



(PCR)	set it up. (ऋण की सार्वजनिक रजिस्ट्री)
NFIR	Proposed in the Budget 2023. <Next section>

14.19.1 🗨️💻🔑 - 🇮🇳 National Financial Information Registry (NFIR) in 🇮🇳 Budget-2023

- ⇒ NFIR will be designed with help of RBI.
- ⇒ NFIR will contain info on both individual borrower and company borrowers.
- ⇒ NFIR will contain info on all the loans taken by them through banks, NBFCs, bonds, etc.
- ⇒ Thus, NFIR Will provide 360 degree information about a loan applicant's creditworthiness.
- ⇒ will help the lenders process the loan application in a more faster and accurate manner

14.19.2 🐮 RBI's Public-Tech Platform for Frictionless Credit (2023)



- This portal will collect data from Central and State governments, account aggregators (Ref1B1), CRA-CICs (Ref1B1) and other organisations.
- This will make loan application approval/rejection faster for the lender. [घर्षण रहित ऋण के लिए तकनीकी मंच]

14.19.3 🗨️💻🔑 RBI's Unified Lending Interface (2024-Sept)

It is basically the old wine in new bottle. (i.e. Public-Tech Platform for Frictionless Credit.)

- Facility started for farmers and MSME borrowers.
- Will be later expanded to other category of borrowers.
- Who runs this portal? RBI's Innovation Hub at Bengaluru

🗨️♀️ **FAQ: how is it similar or different than the past projects such as public credit registry or government's NFIR?** Ans. NOTIMP. Memorize & move to next topic.

14.19.4 🗨️💻🔑 eBkay auction platform / IBAPI (2019)

- It's a website for e-auction of assets attached by Public Sector banks.
- Also called: Indian Banks Auctions Mortgaged Properties Information (IBAPI)
- Boss? Indian Banks Association (IBA) with help of Department of Financial Services (DFS, under FinMin).
- Buyers can use eBkay/IBAPI portal to search and get properties details and participate in the auction process.
- Website also contains videos and photographs of the attached properties.

14.19.5 🗨️💻🔑 Baanknet - e-auction portal for Sarkaari Banks (2025)

- Public sector banks (PSBs) will list their loan-default-attached properties here for e-auction.
- making it easier for buyers and investors to identify valuable opportunities.
- Boss? department of financial services under finance ministry.



14.19.6 🧑🏫 CEIB's Unified Automated Search portal for large borrower (2024)

- This website helps the Public Sector Banks to do background verification of the large borrowers. **Large borrower** = who wants to borrow over ₹50 crores.
- **Boss?** Central Economic Intelligence Bureau (CEIB- a body under FinMin) with the help of State Bank of India.
- CEIB collects the data related to economic offenses from other regulators/investigating agencies, e.g. SEBI (Securities and Exchange Board of India), ED (Enforcement Directorate), CBI (Central Bureau of Investigation), NIA (National Investigation Agency), SFIO (Serious Fraud Investigation Office), CBDT (Central Board of Direct Taxes), CBIC (Central Board of Indirect Taxes and Customs) etc.

14.19.7 🧑🏫 IFTAS Cloud Computing Facility by RBI for Banks/NBFCs

- Indian Financial Technology & Allied Services (IFTAS) is a company 100% owned by RBI.
- 2024: It will provide a cloud computing facility for Indian Banks/NBFCs.
- 😍 **Benefits?** Security and privacy of Indian financial data compared to storing data on some cloud servers owned by foreign companies like Amazon-AWS, Microsoft-Azure, etc.

14.19.8 🧑🏫 Reserve Bank Innovation Hub (RBIH) Repository

- Reserve Bank Innovation Hub is a company 100% owned by RBI.
- 2024: it will set up a digital repository (=database/knowledge-base) of essential information related to Blockchain (= Distributed Ledger Technology/DLT), Artificial Intelligence/Machine Learning (AI/ML), and other new technologies developed by Fin-Tech companies.
- 😍 **Benefits?** This will help (1) RBI to make better policies and (2) Banks/NBFCs/FinTech companies to come up with new innovative products.

14.19.9 🤖 AI- Artificial Intelligence and banks - 📖 ES25 – refer to Mains HDT

Refer to Mains handout.

14.19.10 🗣️📄🌐 Legal Entity Identifier (LEI) Number: (कानूनी इकाई पहचान संख्यांक)



Figure 2: विदेश में नयी कंपनी बनाकर विदेशों की बैंकों को चुना लगाएंगे तो क्या उखाड़ लेंगे?

- **Objective?** Even if a company is blacklisted by Indian banks, it could apply for loans overseas, and those overseas bankers may not be aware of company's history.
- So, there should be a global "Aadhar card" number for companies, and they must be forced to quote that number during every financial transaction.
- After USA's Sub-Prime Crisis and Global Financial Crisis (GFC), **the G20 and its Financial Stability Board (FSB: वित्तीय स्थिरता बोर्ड)** came up this LEI concept- a 20-digit alphanumeric code.
- LEI's Global Boss: Global Legal Entity Identifier Foundation (GLEIF), Frankfurt, Germany.
- LEI's Indian agent/Coordinator: Clearing Corporation of India.
- From 1/10/2022 RBI has ordered all companies undertaking crossborder transactions of Rs 50 crore or more to quote this number in financial transaction.



- RBI has power to issue such directives under: Payment and Settlement Systems Act, 2007 & Banking Regulation Act 1949. (वित्तीय लेन देन के दौरान कंपनी ने अनिवार्य रूप से ये नंबर लिखना होगा)

14.20 FUGITIVE ECONOMIC OFFENDERS ACT, 2018



Figure 3: देश छोड़ के भाग जाऊंगा, 9 लाख का लेन देन जेकेट पहने के लंडन की गलियों में घूमूंगा, तो क्या उखाड़ लोंगे मेरा?

This act targets economic offenders accused of cheque dishonor, loan / investment / chit-fund scam, money laundering etc. worth **₹ 100 crores** / > & left India to avoid facing prosecution / arrest.

- Special courts under the PMLA (Prevention of Money-laundering Act, 2002) will order the villain to appear within 6 weeks, if not then he is declared “Fugitive Economic Offender” ⇒ His Indian & Overseas & Benami properties will be attached (भगोड़े आर्थिक अपराधी की भारतीय तथा विदेशी संपत्तियों को जप्त किया जाएगा).
- Once property attached- the Union Govt will oversee its administration / liquidation (नीलामी/परिसमापन).
- No ordinary civil court / tribunal can give stay order. Villain can make appeal only in High Court and Supreme Court. (भगोड़ा आर्थिक अपराधी केवल उच्च न्यायालय और सर्वोच्च न्यायालय में जाकर मदद मांग सकता है).

14.20.1 Bankers can't issue Look Out Circulars (LOCs) says Bombay HC

- Look Out Circulars (LOCs) are issued by the of the Ministry of Home Affairs (MHA)'s Bureau of Immigration. (गृह मंत्रालय किसी भी विदेश जाने से रोकने के लिए लुक आउट परिपत्र जारी करता है)
- To prevent any person from leaving India thru any sea/land/airport.
- Bombay High Court ruled public sector banks (PSBs) cannot recommend or request the issuance of Look Out Circulars (LOCs) against loan defaulters. (बैंकर ये परिपत्र नहीं जारी कर सकते।)
- Court held that the fundamental right to travel abroad cannot be curtailed by executive action without any law or court order. (यात्रा का बुनियादी अधिकार, बिना कानून/कोर्ट आदेश के नहीं छीन सकते।)

14.20.2 India joins CARIN Asset Recovery group (2024)

- CARIN Network: Camden Asset Recovery Inter-Agency Network to forfeit criminal proceeds worldwide. (CAMDEN = area in London, UK)
- CARIN is an informal group of over 50 nations.
- India's Enforcement Directorate has joined this group
- This will help in tracing movable and immovable assets related to criminal activities of Dawood, Vijay Mallya, Nirav Modi, Mehul Choksi etc.

If Borrowers don't repay, SARFAESI auctions give little recovery, CRR-SLR insufficient to repay deposits then bank collapse imminent. Then, how to protect the depositors? →

14.21 DICGC ACT: OBJECTIVE & LIMITATIONS

- 1961: Deposit Insurance and Credit Guarantee Corporation Act - mandates that all types of banks must buy insurance on their deposit accounts from DICGC. Banks have to pay premium for this insurance. (निक्षेप बीमा और प्रत्यय गारंटी निगम: प्रत्येक बैंक ने अनिवार्य रूप से अपनी जमाकर्ताओं की डिपोजिट को बीमों द्वारा सुरक्षित करना होगा)
- DICGC is 100% owned by RBI. RBI Dy. Governor acts as chairman of DICGC. HQ: Mumbai.



- When a bank shuts down, DICGC will pay **insurance** to every deposit holder for his principal and interest. (यदि बैंक बंद हो गया तो जमाकर्ता के नुकसान की भरपाई यहां से होगी)
- 2021: Govt introduces Deposit Insurance & Credit Guarantee Corporation (Amendment) Bill →

BEFORE (सुधार/संशोधन विधेयक से पहले)	AFTER REFORM (सुधार पश्चात)
Upto ₹1 lakh deposit insured	Protection increased upto Rs 5 lakh
When will depositors get back above amount? No clear timelines. Often they had to wait for many years (पैसा/मुआवजा कब आएगा उसकी समय सीमा तय नहीं थी)	When RBI imposes (withdrawal) moratorium on a weak bank → within 90 days of that event, DICGC will pay depositors. (रिज़र्व बैंक जब कमजोर बैंक में से ग्राहकों के पैसे उठाने पर रोक लगाए उसके 90 दिनों के भीतर ही मुआवजा मिल जाएगा)
Banks had to pay premium/fees to DICGC at the rate of ₹10 paise to insure every ₹100 worth of deposits. (बैंकों ने हर ₹100 के डिपॉजिट का बीमा के लिए 10 पैसे की बीमा किस्त/फीस देनी होती थी)	DICGC can 📈 increase the premium fees to ₹12-₹15 paise (i.e. 20%-50% more than the original fees) 🙌 Exact figures NOT IMP. (बीमा किस्त में बढ़ोतरी की गई)
All types of Banks covered But NBFCs not covered.	Same as left cell. (सभी प्रकार के बैंक के ग्राहकों को सुरक्षित करता है, किंतु गैर बैंक वित्तीय संस्थान के ग्राहकों को सुरक्षित नहीं करता.)

- Previously, DICGC provided guarantee cover to bank on the loans granted to Priority Sector Borrowers. E.g. if Micro enterprise owner did not repay PSL-loans → DICGC would cover losses of the banks, hence its name contains the word '*Credit Guarantee Corporation*'.
- But, with formation of SIDBI (1990), National Credit Guarantee Trustee Company Ltd. [NCGTC, 2016] etc, this credit guarantee work divided among many organizations (REF: 📄 Pillar#1D), but we need not PHD over it. #🕒 थोड़ा-पढ़ो-आगे-बढ़ो

14.21.1 🧑🏫🏠🏦🏠🏠 - 🙌 Limitation of DICGC (मर्यादाएँ)

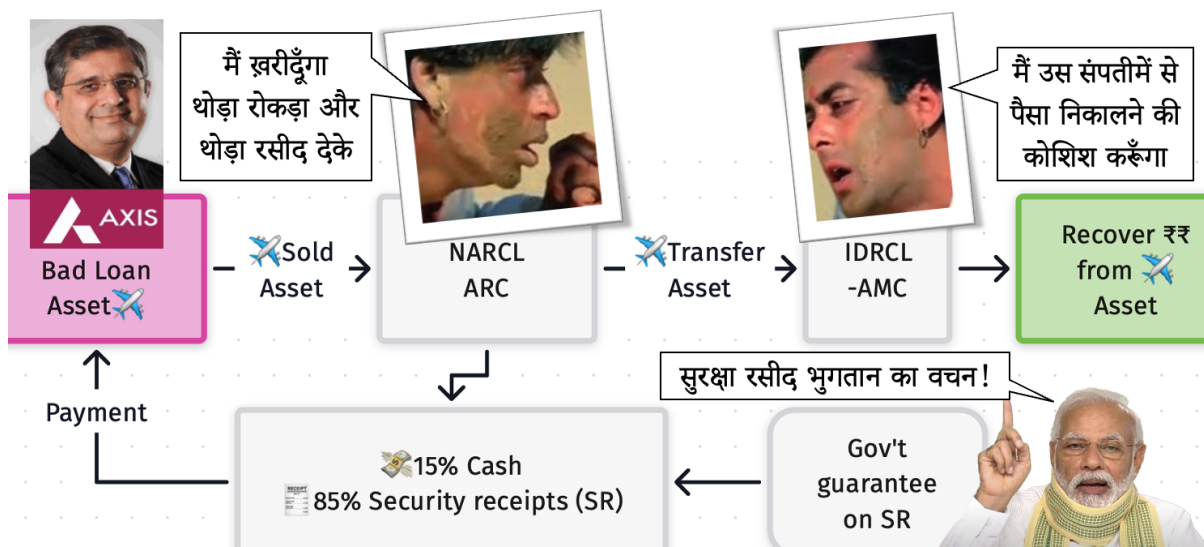
- 🧐 If a customer deposited more than ₹5 lakh in a single commercial / cooperative bank, then he gets only ₹5 lakh from DICGC. And for the remaining amount he must wait till RBI / Cooperative Registrar liquidates the bank. (📄 Ref 1B1: Banking Regulation Ordinance 2020)
- 🧐 DICGC doesn't cover PACS and NBFCs. Those victims may have to approach courts.
- 2002: UTI (a Govt owned mutual fund company) made big losses. DICGC not liable to protect UTI-clients because it is NOT A BANK. So, Govt had to pay ₹14,500 crores (of tax payer's money) to customers of UTI-Mutual Fund.
- So, Financial Sector Legislative Reform Commission (FSLRC: वित्तीय क्षेत्र विधायी सुधार आयोग) under Justice B.N. **Srikrishna** (2011-13) recommended a new org called **Resolution Corporation** (RC) via -Financial Resolution and Deposit Insurance (FRDI) Bill/law. (DICGC को बंध कर एक नयी संस्था बनाने का सूझाव)
- Govt had proposed the FRDI bill in 2017, but too much opposition in media & public, so withdrew it in 2018. It's a defunct/outdated topic.. #🕒 थोड़ा-पढ़ो-आगे-बढ़ो

14.22 🧑🏫🏠🏦🏠🏠 - 🙌 BAD BANK (NARCL, IDRCL-2021)

⇒ Examples of such bad banks in other countries- Danaharta in Malaysia, UKAR in UK.



14.22.1 🧰🔧🏠🔪👤🧬: Bad Bank Structure



	NARCL-ARC (founded in 2021)	IDRCL-AMC (founded in 2021)
Type	Asset Reconstruction Company (ARC) परिसंपत्ति पुनर्गठन कंपनी	Asset Management Company (AMC) (AMC) परिसंपत्ति प्रबंधन कंपनी
Full Form	National Asset Reconstruction Company Limited (NARCL)	India Debt Resolution Company Ltd. (IDRCL) =
Type	Registered company under companies act. (So not a statutory/constitutional body). Given license by RBI for ARC.	Registered company under companies Act. (कंपनी कानून में पंजीकृत कंपनियां हैं. ये कोई वैधानिक या संवैधानिक संस्थाएं नहीं हैं)^^
Function	To purchase bad loan assets from banks. (यह बैंकों से अनर्जक परिसम्पत्तियां खरीदेगा)	To manage/value addition/ auction those bad loan assets which were purchased by NARCL. (e.g. factory, airplanes, bulldozer). (खरीदी हुई संपत्तियों का प्रबंधन, मूल्य वर्धन, नीलामी करेगा)
Ownership/ Shareholding	⇒ 51% PSBs like SBI, BoB, PNB** ⇒ 49% by Pvt banks and NBFCs#	⇒ 49% (Public Sector Banks, NBFCs) ⇒ 51% (private sector bank, NBFCs).#
Tenure	This organization will exist for five years.	Same as left cell

** NARCL Ownership 51% shareholding/ownership among 8 public sector banks (PSB) viz. SBI (13.17%), Punjab National Bank (12%), Bank of Baroda, Canara Bank, Bank of Maharashtra, Union Bank of India, Indian Bank, Bank of India. (Note: Future Some of these PSBs may get merged so the % may change.)

🚩👤FAQs:

- ⇒ #what are their names? Ans. Not explicitly mentioned in Pressnote. #🕒थोड़ा-पढ़ो-आगे-बढ़ो
- ⇒ ^^AMC got license from RBI or SEBI? Ans. Same as above



⇒ Bad Bank means “ONLY NARCL” or (NARCL+IDRCL) Ans. Same as above. But from how

📖 ES17 had given the vision of Bad bank, it should be the combined work of (NARCL+IDRCL)= Bad Bank.

14.22.2 🧰🔧🏦🔪👤) Bad Bank: 📖 functioning, benefits etc

Refer above chart & video lecture. I'm compressing text-writeup as topic has faded from news.

14.23 🧐🔪👤🗣️👋 PROMPT CORRECTIVE ACTION (PCA) FRAMEWORK

शरारती बच्चों
की ब्लैक लिस्ट



img source: Doremon

Under PCA framework, RBI classifies the scheduled commercial banks (SCB) into **Risk threshold #1, #2, #3** based on its capital, loan-asset quality etc. Higher the number, higher the risk. Then, accordingly, RBI will take corrective actions such as: (जोखिम के हिसाब से बैंकों को वर्गीकृत करता है)

- ⇒ RBI giving strict warning, conducting deeper audit & supervision. (ज्यादा कड़ी निगरानी)
- ⇒ Restricting bank's directors' salaries and dividend distribution to its investors. (वेतन, लाभांश वितरण पर रोक)
- ⇒ Restricting bank's branch expansion & lending operations. (शाखा विस्तार और ऋण देने पर रोक लगाना)
- ⇒ Forcing merger / shutdown (under Banking regulation Act 1949). (कमजोर बैंक को बंद करना)

If a PCA-listed bank wants to get 'whitelisted', it'll have to ↓ its NPA, obtain additional capital, ⬆️ its profitability. (सूची से बाहर निकलना है तो अनर्जक संपत्तियों में कमी, ज्यादा पूंजी बटोरनी होगी, ज्यादा मुनाफा लाना होगा)

- ⇒ PCA is “Monetary Policy → Qualitative / Selective Tool → Direct Action”. (मौद्रिक नीति → गुणात्मक → सीधी कार्यवाही का यह एक साधन है)
- ⇒ As of 2020-Feb: 4 PSBs in this list viz. Indian Overseas Bank (IOB), Central Bank of India, UCO Bank and United Bank of India. 🙌 Dynamically changing info so we need not remember.

14.23.1 🧐🔪👤🗣️👋 RBI's Prompt Corrective Action (PCA) for NBFCs

(गैर बैंक वित्तीय कंपनियों के लिए त्वरित सुधारात्मक कार्रवाई)

- ⇒ From 1/10/2022- RBI to monitor NBFCs using 3 indicators/parameters: - 1) Non-Performing Assets, - 2) BASEL-capital adequacy ratio - 3) BASEL- Tier 1 capital. (What do they mean? NOTIMP। इन पैमानों पर निगरानी)
- ⇒ Accordingly, RBI to classify the NBFCs in risk category#1-2-3. (जोखिम के हिसाब से वर्गीकरण)
- ⇒ Higher risk → higher restrictions e.g. 🙌 1) restriction on branch expansion 🙌 2) halt on dividend distribution, 🙌 3) NBFC owners will be asked to infuse capital in NBFC etc. etc (गैर बैंक वित्तीय कंपनी में जितना ज्यादा जोखिम → तो उतनी ज्यादा पाबंदियां रिजर्व बैंक उसपे डालेगी)
- ⇒ ✅ applicable on deposit-taking-NBFCs (e.g BajajFinServ).
- ⇒ ✅ Applicable on government-owned non-banking financial companies as well such as PFC, REC, IRFC and IFCL.
- ⇒ 🙌🇨🇦 Not Applicable on primary dealers, housing finance companies (HFC), non-deposit taking NBFCs (e.g. ILFS)



14.23.2 🐱💉👹👉 RBI 's Supervisory Action Framework (SAF) for Urban Co-operative Banks

Outdated topic. Deleted from handout. If preparing for RBI-officer exam then Google it.

14.23.3 RBI'4-tiered regulatory framework for urban cooperative banks (2022-Dec)



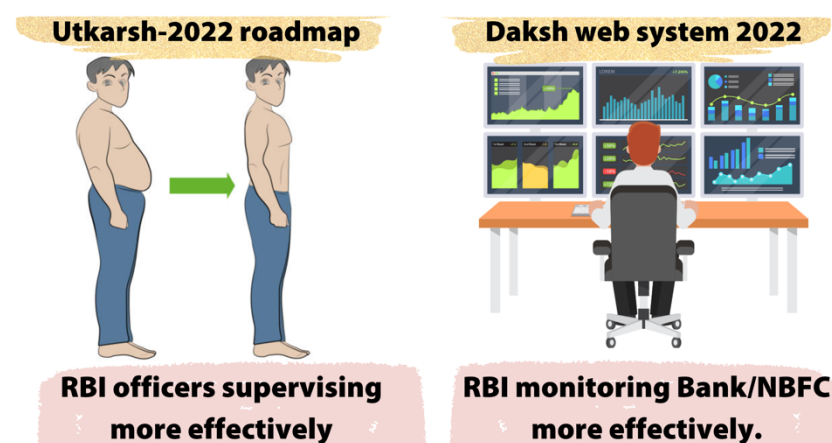
Tier	Deposit Range (शहरी सहकारी बैंकों के लिए 4-स्तरीय नियामक ढांचा)
1	Up to ₹100 crore
2	₹100 crore - ₹1000 crore
3	₹1000 crore - ₹10,000 crore
4	Above ₹10,000 crore

Higher the tier e.g. 3-> 4 = stricter RBI norms under BASEL-III. What/HOW exactly? NOT IMP.

14.23.4 🐱🦋 Regulations Review Authority (RRA 2.0)- for Ease of implementing RBI rules

- RBI has setup RRA 1.0 (in 1999, for one year) and RRA 2.0 (in 2021, for one year)
- Chairman: RBI's Dy. Governor M Rajeshwar Rao. Who are other members? NOTIMP.
- Objective: To give suggestions to RBI to simplify its rules/regulations so Bank/NBFCs have ease of doing business. (नियंत्रण समीक्षा प्राधिकरण जो कि रिज़र्व बैंक को सुझाव देगा कि कैसे रिज़र्व बैंक के नियमों में सरलीकरण किया जाए ताकि उनके अनुपालन में बैंक और एनबीएफसी को आसानी रहे।)

14.23.5 🐱🦋 RBI supervision: Utkarsh-2022” roadmap



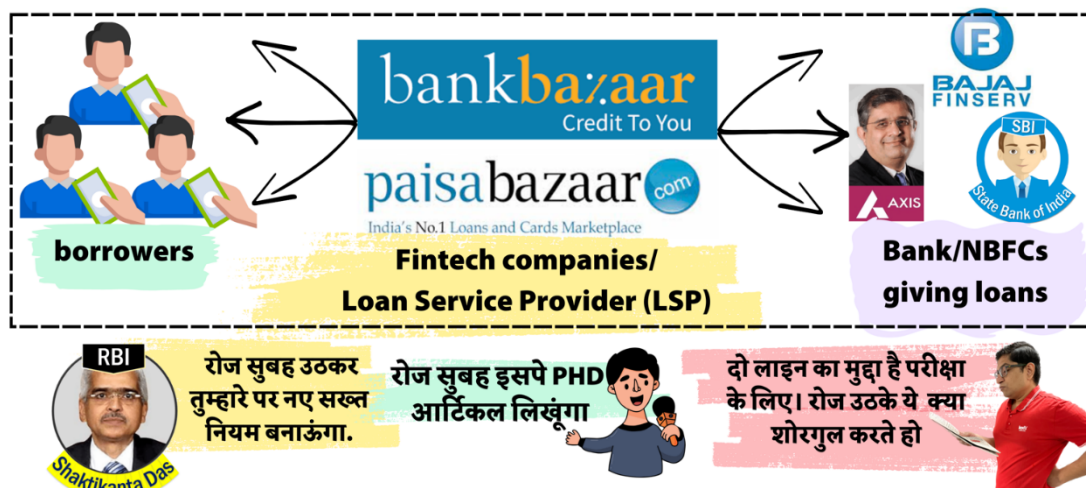
⇒ 2019 July: Dy. Gov Viral Acharya Committee → RBI board approved 3 year medium term framework to improve RBI regulation & supervision, based on global best practices = “Utkarsh-2022” roadmap. (वैश्विक मानदंडों का अनुसरण करते हुए रिज़र्व बैंक की नियंत्रण और निगरानी करने की प्रणालियों में अगले 3 सालों में सुधार करने के लिए उत्कर्ष कार्यक्रम)

14.23.6 Digital lending norms by RBI (2022-Nov)

⇒ A lending/Loan Service Provider (LSP) is financial technology (Fintech) company that connects borrowers with lender (Banks & NBFCs). e.g. Lazypay, Bank Bazaar, Paisa Bazaar



- ⇒ LSP helps the customer get the loan digitally.
 - ⇒ RBI has issued guidelines to regulate this 'digital lending' market.
- Exact guidelines are not important. Sufficient to know that RBI requires
- ⇒ 1) exorbitant interest cannot be charged.
 - ⇒ 2) Such organisations have to appoint grievance redressal officers & clear the complaint within stipulated time limit.



कुछ वित्तीय प्रौद्योगिकी (फिन-टेक) कंपनियां एक तरफ कर्ज लेने वालों को, और दूसरी तरफ बैंक- एनबीएफसी के साथ डिजिटल माध्यम से जोड़ती है। इस डिजिटल कर्ज प्रणाली पर रिज़र्व बैंक कुछ सख्तियां कर रही है।

14.23.7 Digital lending → FIRST LOSS DEFAULT GUARANTEE (FLDG) norm by RBI
Requires FinTech companies to cover some of the Banker's, IF borrower defaults on the loan.



कर्जदार पैसा वापस ना करें तो फिनटेक कंपनी ने बैंक के नुकसान की कुछ भरपाई करनी होगी इस पर रिज़र्व बैंक के कुछ दिशानिर्देश

14.23.8 Digital lending → Digital lending Apps public repository by RBI (2024-Aug)

- This RBI-portal will contain list of approved digital lending/loan apps.
- If a particular loan-app is not listed here= it is an illegal app. Borrowers should avoid it.

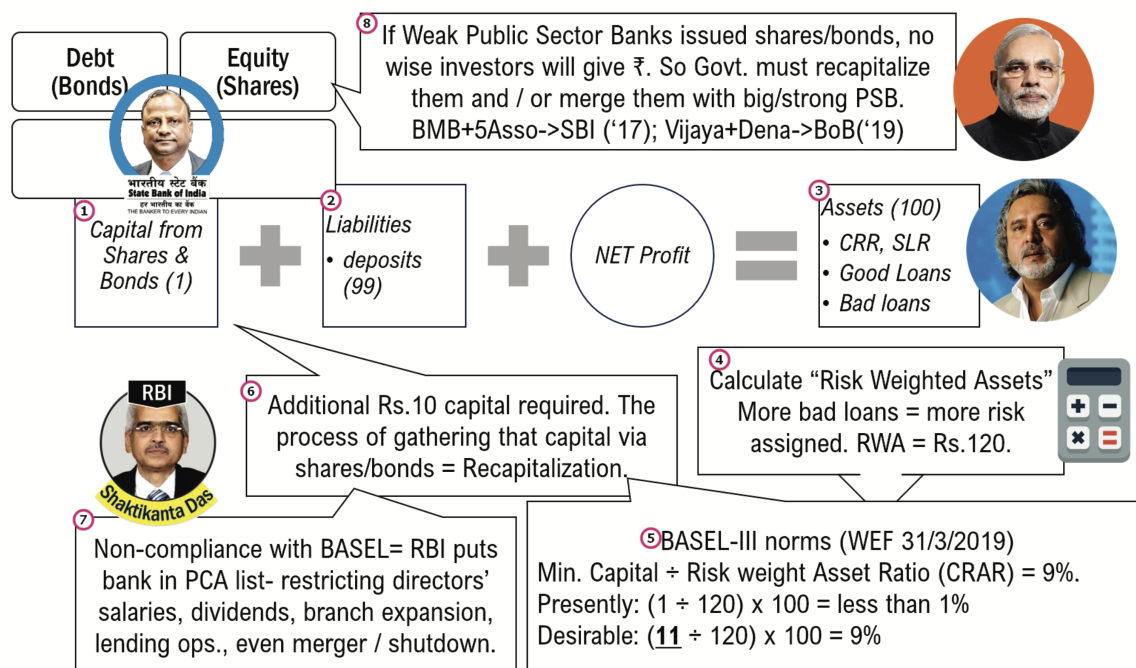


Figure 5: We need not bother with Tier-1 Tier-2 Capital etc, #थोड़ा-पढ़ो-आगे-बढ़ो

14.24 🌐👤♀️ BASEL-III NORMS (बेसेल-3 मानदंड)

Bank for International Settlements (BIS) is an international institution made up of 60 countries' Central Banks. HQ @ BASEL, Switzerland. Its committee on banking supervision set norms in 1988 (I), 2004 (II), 2011(III) to ensure global financial stability. (वैश्विक वित्तीय स्थिरता के लिए मानदंड की समिति ने)

- From 1/4/2013, RBI began phased implementation of BASEL-III norms in India:
- First, a bank needs to calculate its Risk-Weighted Assets (RWA: जोखिमपूर्ण संपत्ति).
- Against these RWA, (Universal) Scheduled Commercial Banks (SCB) must keep:
 - "Minimum Capital to Risk Weighted Assets Ratio" (CRAR) at 9% or higher from 31/3/2019.
 - "a%" Capital Conversation Buffer (CCB) from XX date..
 - "b%" Counter Cyclic Capital Buffer (CCCB): whenever RBI notifies.
- "c%" Leverage ratio (LR), "d%" Net Stable Funding Ratio (NSFR),
- "e%" High quality liquid assets (HQLA); "f%" Liquidity Coverage Ratio (LCR)
- and so on...many things.



FAQ. How exactly do CCB, CCCB, LR, NSFR, HQLA, LCR etc work? Ans. Not important for exam, beyond the basic 'word-association' that they're related to BASEL

- ⇒ Each member country's Central Bank can prescribe different %, ratios depending on their country's situation. (हर देश की केंद्रीय बैंक अलग-अलग दिशा निर्देश जारी कर सकती है)
- ⇒ As Bad loans (NPA) ⬆️ = bank's asset quality degrades ⬇️ = its Risk-weighted assets (RWA) ⬆️
→ bank must arrange more capital to comply with these ratios, norms and buffers.
- ⇒ If a bank can't comply with BASEL norms → RBI puts it in PCA list. In worst case, bank will have to merge/ sell off its business to another bank or shut down. (इन मानदंडों को नहीं माना तो अंत में बैंक बंद हो सकता है)



⇒ BASEL Norms also apply on Differential Commercial Banks (LAB, RRB, SFB, PyB), Cooperative Banks, AIFI (EXIM, NABARD, NHB, SIDBI) and certain category of NBFCs, but RBI can prescribe separate norms / limits / deadlines for them. (विभिन्न प्रकार की वित्तीय मध्यस्थ ऊपर संस्थाओं पर इन मानदंडों की सीमा अलग-अलग हैं)

AB CD ? What is the objective of BASEL-III norms? (UPSC-Prelim-2016)

- Develop national strategies for biological diversity.
- reduce the GHG emissions but places a heavier burden on developed countries.
- transfer technology from developed Countries to poor countries to replace chlorofluorocarbons in refrigeration.
- improve banking sector's ability to deal with financial and economic stress and improve risk management.

AB CD ? Basel Convention provides: (UPSC-IES-2020)

- Indian standards for pollution measurement and prevention
- ✓ International guidelines to control the transboundary movements of hazardous wastes between different countries
- Indian standards for the disposal of municipal and industrial wastes
- International standards to categorize pollution in air and wastewater

14.25 🐯🔪 RBI INCREASING CRAR ON BANK/NBFCs' UNSECURED LOANS (2023)

- Under the BASEL-III norms, RBI requires all banks and certain categories of NBFCs to keep capital in proportion to their risk-weighted assets (RWA). [बासेल मानदंडों के हिसाब से बैंक व चुनिंदा एनबीएफसी ने अपनी जोखिमपूर्ण सम्पत्तियों के अनुपात में कुछ मात्रा में अतिरिक्त पूंजी रखनी होती है।]
- 2023: RBI increased the Capital to risk-weight asset ratio (CRAR) as follows:

Bank's Asset Type	Amount (A)	Old Risk Weight (B)	Risk Weighed Assets (RWA) = A*B	New Risk Weight (N)	Risk Weighed Assets (RWA) = A*N
Bank Loan to consumer	100	100%	100	125%	125
Bank Loan to NBFC	100	100%	100	125%	125
Bank Credit Card	100	125%	125	150%	150
Total ASSETS	300		325		400





Loan Type	Old Risk Weight	New Weight (2023)
1) housing loans, education loans, vehicle loans, loans secured by gold- given by Bank/NBFCs	100%	100% (no change)
2) Personal/Consumer Loans given by Bank/NBFCs EXCEPT those mentioned in sr.1	100%	125% ↑
3) Banker's Credit card Loans	125%	150% ↑
4) NBFC's Credit card Loans	100%	125% ↑
5) Banker's Loans to NBFC (except to Housing-finance companies, micro finance companies, and Priority sector lending quota)	100%	125% ↑ ##

⇒ ## 2025- this was reduced from 125% to 100% by RBI, to help the economy.

⇒ 🧑‍🎓 FAQ: do I have to memorize everything? Yes, if preparing for RBI Grade B Officer. Otherwise, for IAS exam, it is enough to know that risk weight was increased for some loan categories.

⇒ Note: in the paid class, i'll only explain the crux required to pass the MCQs, in a few minutes. If you're very weak in studies/comprehension then Watch the detailed 20 minutes YouTube video at: <https://youtu.be/n2aNCIP9AIQ?si=exLz7YVvt9DV3uIf>

14.25.1 🐾🔪🧑‍🎓 Implications of higher CRAR

- It will make the bank/NBFC more prudent and careful while approving loans. (अंधाधुंध लोन पास नहीं करेंगे। कोताही रखेंगे।)
- Higher risk weight = higher capital requirement → then accordingly the bank/NBFC will make the loan expensive to cover the cost of capital. (अतिरिक्त पूंजी लाने के लिए उनकी लागत खर्च बढ़ेगी उस हिसाब से वे लोन के ब्याज दर भी महँगी कर देंगे।)
- It may increase loan interest rate for borrowers by upto 4%.
- It will decrease the profitability of banks/NBFCs (due to cost of additional capital). (अतिरिक्त पूंजी की लागत खर्च के चलते मुनाफ़े में भी कमी आएगी।)

14.25.2 🌐🏦🧑‍🎓♂️ BASEL-III norms: Capital Tiers

BASEL-III norms require banks to keep capital against their risk weighted asset ratio. This capital is subdivided into various tiers.

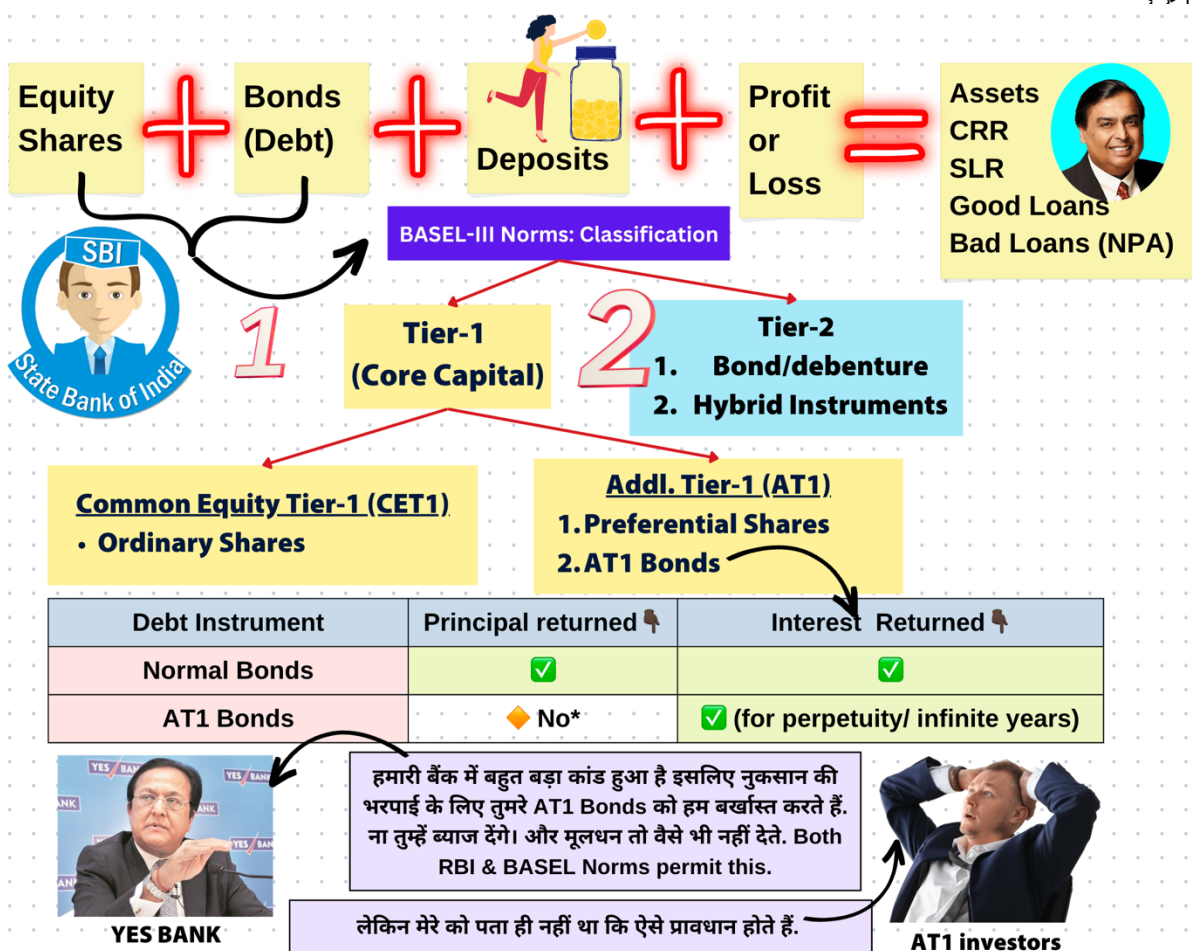
14.25.3 🔪🏦🧑‍🎓♂️ Additional Tier 1 (AT1) Bonds

They have no maturity date (i.e. bank has to pay interest for infinite time / perpetuity and principal will not be returned). However, bank may 'buyback' them after certain years.

If / when a bank makes huge losses → AT1 Bonds' liability may be

- written off (खारिज कर देना) OR
- converted into shares (process called 'Bail-In').

AT1 Bonds are in news due to **loan-scam in Yes Bank**. What exactly is that scam? =NOT-IMP.



14.25.4 🗡️👤♂️ Zero Coupon Bonds

⇒ Ref: Pillar1C- Sharemarket.

14.25.5 🌐👤♀️ D-SIB: Domestic Systemic Important Banks



लगता है तूजे D-SIB में रखके तेरा capital requirement बढ़ाना करना पड़ेगा।

- ⇒ In 2010, G-20's **Financial Stability board** (HQ: BASEL) asked countries to identify Systematically Important Financial institutions and put framework to reduce risk in them. [Side note: Same parents responsible for birth of Legal Entity Identifier (LEI)]
- ⇒ Each year, RBI identifies banks that 'too big to fail' (=if they fail, it'll severely hurt the economy)' and labels them as **Domestic Systemic Important Banks (D-SIB)**, & orders them keep additional equity capital against their Risk Weight Assets (RWA) & other technical norms.
- ⇒ Presently, 3 D-SIBs in India: SBI, ICICI, HDFC (**Latest Entry**).

14.26 🐼🤔: BASEL NORMS/DEADLINES POSTPONED/SUSPENDED IN CORONA

self-explanatory from the topic-title itself. (कुछ मानदंडों की अंतिम तिथि को टाल दिया गया।)

We need not loose sleep over new deadlines, as they may again get extended. #🕒थोड़ा-पढ़ो-आगे-बढ़ो



14.27 🇮🇳 📅 BANKS' BALANCE SHEET / AUDIT NORMS (तुलन पत्र लेखा परीक्षण)

14.27.1 🇮🇳 📅 IndAS Accounting Norms deferred (लेखा मानदंड स्थगित/टाल दिये)

- ⇒ Ministry of Corporate Affairs (MCA) ordered all the companies to keep their balancesheet as per the format prescribed in the Indian Accounting Standards (IndAS).
- ⇒ 🏆 **Benefit?** IndAS accounting format makes it easier for the local and global investors and regulators to compare, analyze and understand a company's financial position from its balancesheet. (इस रिपोर्ट को देखकर निवेशक को आसानी से कंपनी की वित्तीय क्षमता का अंदाज़ा लग जाता है.)
- ⇒ IndAS is not part of BASEL norm. But, since commercial banks are basically 'companies doing banking activity', so they also have to comply to IndAS norms. But, only RBI has the power to notify its implementation deadline on banks. (बैंकों के ऊपर भी इन्ही नियमों को लागू करना है.)
- ⇒ 2020- Critics demanded RBI should implement it. What is the deadline? NOTIMP.

14.28 🌐 🧑‍💼 ♀️ RECAPITALIZATION OF PSBs: [सार्वजनिक क्षेत्र के बैंको का पुनःपूंजीकरण]

If a bank doesn't have enough capital to comply with BASEL-III norms it can issue debt (bonds) and equities (shares) to gather new capital. (बासिल मानदंडों का अनुपालन करने के लिए बैंक ने पूंजी जमा करनी होती है)

- **2015:** Estimation that Public Sector Banks (PSBs) will require ₹ 1.8 lakh crore additional capital by 31/3/19 to comply with BASEL-III norms.
- So, Finance Ministry's Dept. of Financial Services up with **Indradhanush PLAN** for phased-recapitalization of PSBs with ₹ 70,000 crores from 2015 to 2018. Individual PSB will get funding based on outcomes / performance. (इंद्रधनुष प्लान के अंतर्गत वित्त मंत्रालय सरकारी बैंको में पूंजी दे रहा था-बासिल मानदंड के अनुपालन के लिए)
- **2017:** It became clear ₹70,000 crores was insufficient for BASEL-III compliance. So, Modi Govt. announced more amount. (हालांकि बाद में पता चला की वो रकम पर्याप्त नहीं थी और ज्यादा रकम चाहिए होगा)
- To arrange ₹₹ for this, Govt began to issue Bank Recapitalization Bonds (RcB) in the market with following features: These bonds will have interest rate of ~7%, mature@ 2028-2033. Non-transferable to third party, Non-convertible into shares. (तो ज्यादा रकम बटोरने के लिए सरकार ने बाजार में बॉन्ड जारी किये)
- Govt instructed PSBs to mobilize equity (share) capital from private investors.
- However, investors shy away from smaller banks with weak balancesheets, so BMB & 5 Associated Banks merged with SBI (2017). Vijaya & Dena to be merged with BoB (2019, 1st April) etc. (More in 📄 Pillar#1B1)
- 📅 Budget-2021: ₹20,000 crores for PSB recapitalization in Financial Year 2021-22.
- 📅 Budget-2022 onwards: No money given for this. Govt's justification is that PSBs profitability improving so PSBs can take care of their capitalization problems by themselves by issuing shares/bonds in market. (सरकार ने बजट में कोई पैसा नहीं दिया. सरकारी बैंको अब तुम खुद अपना देख लो!)

AB CD ? MCQ. Find Correct Statement(s) abt Governance in PSBs:(UPSC-Pre-2018)

1. Capital infusion into PSBs by the Govt of India has steadily increased in the last decade.
2. To put the public sector banks in order, the merger of associate banks with the parent State Bank of India has been affected.

Answer Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2.



14.29 🧑🏫♂️ BANKING SECTOR: GOVERNANCE / ADMINISTRATIVE REFORMS

14.29.1 🧑🏫♂️ Gyan-Sangam-I, 2015, Pune

FinMin's Dept of Financial Services (वित्तीय सेवा विभाग) organized a workshop of financial regulators, Public Sector Bank, Insurance Companies etc. It resulted in 3 outcomes:

- 1) PSBs' CMD post bifurcated into 1) separate chairman and 2) separate MD&CEO so that banks can function in more professional and accountable manner.
- 2) **Indradhanush** plan for bank recapitalization (₹ 70,000 crores)
- 3) Finance Ministry setting up an autonomous body- Bank Board Bureau (BBB). →

14.29.2 🧑🏫♂️ Personnel Selection → Bank Board Bureau (BBB), 2016



Figure 4: यूपीएससी की तरह हम लेंगे नोकरी का इंटरव्यू

- It is non-constitutional, non-statutory body (यह संस्थान न तो संवैधानिक है न तो वैधानिक)
- It interviews & selects top officials (MD, CEO, Chairman and full-time Directors) for PSBs, public sector insurance companies, and other public sector financial institutions (e.g. NABARD, SIDBI etc.).
- Actual appointment done by FinMin's Department of Financial Services. (Just like UPSC selects candidates suitable for IAS but DoPT notifies appointment.)
- BBB also helps the banks in governance reforms, raising capital for BASEL-III etc.
- BBB has 1 Chairman (usually a retired IAS) and some members.

AB CD ? MCQ. Chairman of public sector banks are selected by the __? (Prelims-2019)

(a) Banks Board Bureau (b) RBI (c) Ministry of Finance (d) Management of concerned bank

AB CD ? MCQ. Find Correct about 'Banks Board Bureau (BBB)' (Prelims-2022)

1. The Governor of RBI is the Chairman of BBB.
2. BBB recommends for the selection of heads for Public Sector Banks.
3. BBB helps the Public Sector Banks in developing strategies and capital raising plans.

Codes: (a) 1 and 2 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

14.29.3 🧑🏫♂️ Personnel Selection → FSIB replaces BBB (2022)

- ⇒ 2022: Delhi High Court ruled, "BBB cannot select public sector (govt owned) insurance companies because of conflict with the other laws related to public sector insurance companies.
- ⇒ 2022: Then Govt replaced BBB with new body named "**Financial Services Institutions Bureau (FSIB)**" to comply with court order.
- ⇒ Every thing else (function, feature etc) about FSIB is = same as BBB.

🚩🧑🏫 FAQ: is this not unethical / big-joke to subvert court order?

Ans. Court has not banned FSIB yet. Govt did not bother to justify loudly in news headlines.

Columnist did not bother to loudly criticise. So, I did not bother to PHD. #🕒 थोड़ा-पढ़ो-आगे-बढ़ो

14.29.4 🧑🏫♂️ PSB Banking Personnel Reforms → 📖📖 ES20 suggestions

Shifted to Mains.



14.29.5 🧑🏫 Customer Service: Enhanced Access and Service Excellence (EASE) Agenda 2018



2018: FinMin's Dept of Financial Services released EASE framework (बढ़ी पहुंच और सेवा उत्कृष्टता) with 6 pillars to make PSBs more Responsive and Responsible viz.

1. Customer Responsiveness. (ग्राहको के प्रति जवाबदेही)
2. Responsible Banking: Reduce NPA, prevent frauds. (धोखाधड़ी पर अंकुश)
3. Credit Off Take: Try to reach out to potential borrowers for home, auto, education, loans. (स्वयम बैंक ही उधारकर्ताओं को खोज निकाले)
4. Help MSME entrepreneurs via SIDBI's Udyamimitra.com portal. Approve/reject loans in not more than 15 days. (लघुउद्योगों की मदद)
5. Deepening Financial Inclusion & Digitalization. (वित्तीय समोवेशन)
6. Employees' Human Resource Management (HRM: मानव संसाधन प्रबंधन): improve with training, performance linked promotion-salaries-posting-transfers etc.

Implementation? Each whole-time director of a PSB will be entrusted with one pillar of the EASE-framework. Their performance will be checked by the PSB's board of directors. An independent agency will be tasked to check public perception. Finally PSB banks will be ranked: E.g. 2018: PNB#1.

14.29.6 🧑🏫👮🏻: Staff Accountability Framework for PSB-NPA

- ⇒ Finance Ministry's issued this for NPA accounts up to Rs 50 crore in PSBs from 1/4/2022.
- ⇒ If PSB Banker took bonafide business decisions to approve loan application but it turned NPA then banker will be protected from undue inquiries/harassment by 3Cs — CBI (Central Bureau of Investigation), CVC (Central Vigilance Commission) and CAG (Comptroller and Auditor General).
- ⇒ Previously the fear of 3C was discouraging the public sector bank managers from sanctioning big loans (in the aftermath of TBS, Mallya, Nirav Modi).
- ⇒ (सरकारी बैंक और लोन पास करने से डरते हैं क्योंकि उन्हें तो CBI, CVC, CAG की कार्रवाई का डर लगता है तो अब वित्त मंत्रालय ने कुछ नए “सार्वजनिक बैंक कर्मी जवाबदेही ढांचा” दिशानिर्देश जारी किए हैं ताकि ईमानदारी से लिए गए फैसलों में अगर लोन का पैसा वापस न आए तो सरकारी बैंक के ईमानदार बैंकर पर अनावश्यक रूप से कोई कार्रवाई न हो)

14.29.7 🧑🏫 Customer Service: RBI's B.P.Kanungo committee (2022)

He suggested various reforms against bullying/harassment for loan recovery agents, etc.

Term	Explain
Bancassurance	when banker sells insurance product to a customer to earn commission. e.g. IDBI managers selling LIC policy. This NOT illegal. This is allowed.
Cross-selling	when banker sells additional services to customer e.g. credit card, Insurance policy, mutual fund investment etc. . This NOT illegal. This is allowed.



Mis-selling	When customer is misled about a product. e.g. Bank manager says our Credit card are given for FREE for lifetime! (but it is free only for 1st year, and then starts charging annual fees of ₹1999/-). This is illegal/unethical.
--------------------	--

14.30 🧐🚫🏦 **NEGATIVE NEWS: ILFS & SHADOW BANKING**



14.30.1 🚫🏦 **NBFC: Shadow Banking (आभासी / प्रतिछाया बैंकिंग प्रणाली)**

📖 ES20 Vo1 Chapter 08 on 'NBFC's Financial Fragility' (वित्तीय भंगुरता) observed

⇒ Shadow banking is a set of activities and institutions. They operate partially (or fully) outside the traditional commercial banking sector. They are not fully regulated by the RBI. ये संस्थाएं पारंपरिक बैंकिंग नियमों के दायरे से बाहर काम करती हैं।

⇒ They mobilize funds by borrowing from banks, issuing Commercial Papers (CP) and Bonds (Non-convertible debentures)

Table 1: Three important segments of the shadow banking system in India

HFCs	Housing Finance Companies. E.g. Dewan Housing Finance Limited (DHFL)
LDMFs	- Liquid Debt Mutual Funds invest clients money into short term debt instruments such as T-bill (of Govt) and Commercial Papers (of companies). - e.g. certain schemes by UTI, Kotak, L&T, Tata mutual funds - 2019: Some of these LDMFs had invested clients money in IL&FS and DHFL, but failed to get the money back. Nearly ₹4000 crore of investors' money is stuck, triggering the NBFC crisis in India.
Retail-NBFCs	Retail Non-Banking Financial Companies such as Gold loan companies, asset finance companies etc.

Shadow banking system's assets are risky and illiquid. If there is a 'bank run' like situation (depositors / investors demanding the money bank) these shadow banks can't honour the obligations. As seen in the ILFS crisis (2019).

14.30.2 🚫🏦 **Shadow Banks → IL&FS & NBFC Liquidity Crisis**

- Infrastructure Leasing & Financial Services (IL&FS) is a Systemically Important Non Deposit Taking Non - Banking Finance Company (NBFC - ND - SI: प्रणालीगत रूप से महत्वपूर्ण- डिपॉजिट न लेनेवाली- गैर-बैंकिंग वित्त कंपनी) Setup in 1987 HQ@Mumbai.
- **Shareholders:** LIC > Japan's Orix group > Abu Dhabi's group > Central Bank of India > SBI.
- **Challenge?** loans given to unworthy borrowers with forged documents, bribes were paid to IL&FS board directors & auditors.

14.30.3 🧐🔪🏦 **ATMANIRBHAR → Partial Credit Guarantee Scheme (PCGS) 2.0**

- Budget 2019: If NBFCs/ MFCs/Micro Finance Institutions (MFIs) borrowed money by issuing debt securities (Bonds or Commercial Papers) → Public sector banks (PSB) invested in it → but borrower default then the government pays 20% of loss to PSB. (सार्वजनिक बैंकों को आंशिक क्रेडिट गारंटी)



14.30.4 Shadow Banking: reform points by Government and SEBI

Shifted to Mains Handout.

AB CD ? In September 2019, which one of the following travel giants declared itself bankrupt? (CDS-i-2020) (a) Expedia (b) Cox & Kings (c) SOTC **✓(d) ANS: Thomas Cook**

14.31 **NEGATIVE NEWS: PNB, LOU, SWIFT, & NIRAV MODI**



PNB (Mumbai Branch): Give foreign currency loan to our client Nirav Modi for purchase of goods (diamonds, airplanes, whatever), if he doesn't pay, we'll pay.

- If such bank guarantee given to another bank in a foreign country, it's called **Letter of Undertaking/ Letter of Credit/ Letter of Comfort**: internal difference not important.
- Bank earns commission / fees from client for issuing such letters / guarantees.
- Thus, Nirav got loans in dollars currency from foreign banks, to buy diamonds in HongKong.
- **PNB Scam**: PNB-Mumbai's corrupt manager kept issuing LoUs to diamond merchants Nirav Modi & Mehul Chowkasi without due-diligence or collaterals for 7 years, worth ~₹12,000 crores. And 2018-January: Nirav & Mehul left India.
- PNB officials couldn't detect scam because LoUs were generated through **SWIFT** platform, which was not integrated with their Core Banking Solution (CBS) server. (What is SWIFT? Ans. Ref pillar1A1: digital payment)
- Afterwards, **ball by ball commentary on Nirav Modi case =NOTIMP**

14.31.1 **International Banking Crisis- Silicon Valley bank (USA), Credit Suisse Bank (Swiz)**
Happened in 2023, outdated/faded topic so deleting from HDT.

14.31.2 **Yes Bank to be taken over by Japan's Sumitomo Bank (2025)**

- Yes Bank suffering losses due to loan fraud and AT1 Bond mismanagement.
- Yes Bank shareholders include SBI, Axis, Kotak and HDFC Bank.
- Japan's Sumitomo Mitsui Bank wants to buy 51% from them, to take over YES BANK. 2025-RBI given approval

14.32 **RBI DIVIDEND, RESERVES, ECONOMIC CAPITAL FRAMEWORK**

RBI's income sources include	From its income, RBI allocates funds to
1. Interest on G-Sec that are not sold in Open Market Ops.	1. Staff retirement fund, provisions for bad loans, depreciation in assets...
2. Interest on Foreign G-Sec / Sovereign Bonds.	2. Reserves for contingency (emergency): ~₹ 2.5 Lcr. आपातकाल के लिए आरक्षित भंडार
3. Interest on Loans given to other Banks / NBFCs. कर्ज पर मिलने वाला ब्याज	3. Reserves for Exchange Rate Stability (Technically called "Currency & Gold Revaluation Reserve: ~₹7 lakh cr विनिमय दर में स्थिरता के लिए आरक्षित भंडार)
4. Revaluation of foreign currency and gold in RBI reserves. विदेशी मुद्रा और स्वर्ण भंडारों के मूल्य में बढ़ोतरी	



RBI's income sources include 📌	From its income, RBI allocates funds to 📌
5. Seigniorage: profits from printing money- because face value > intrinsic value. HOW? NOTIMP 6. Penalties imposed on errant banks.	After making these allocations, profit is shared with Union Govt. in form of 'Dividend' (RBI Act Section 47). रिज़र्व बैंक के मुनाफे में से ये भंडार/ निधि में पैसा रखने के बाद यदि कोई राशि बची तो वह सरकार को लाभांश के रूप में देनी होगी

MCQ. Which of the following are the sources of income for the Reserve Bank of India? (Pre'25)

I. Buying and selling G-Sec.

II. Buying and selling foreign currency

III. Pension fund management

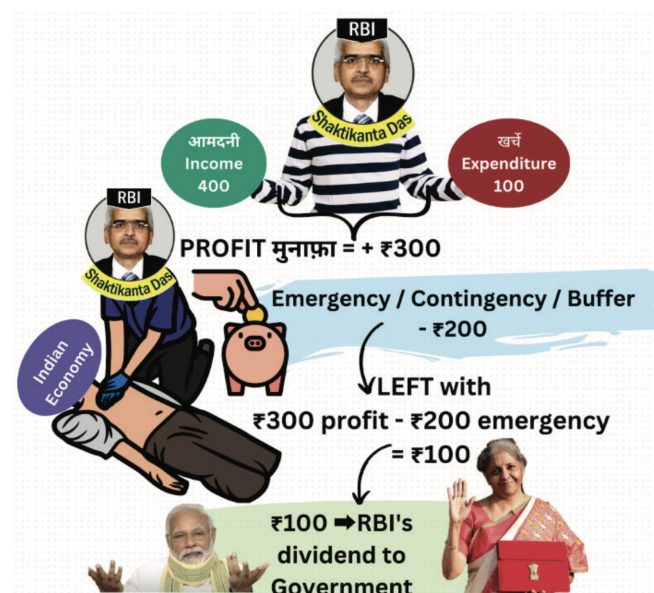
IV. Lending to private companies

V. Printing and distributing currency notes

Codes: (a) I and II only (b) II, III and IV

(c) I, III, IV and V.

(d) I, II and V



14.32.1 🧑🏻👉👉👉 RBI's Bimal Jalan panel (2018)

- 2017: RBI Governor Urjit Patel gave ₹50,000 crore dividend to Govt but Govt wanted ₹3.6 lakh crore dividend. Then, (गवर्नर उर्जित पटेल जितना दे रहा था उससे कई गुना ज़्यादा डिविडेंड सरकार चाहती थी)
- RBI setup Bimal Jalan panel to decide the principles for dividend transfer to Govt. (आर्थिक पूंजी संरचना तथा लाभांश वितरण के सिद्धांत)
- 2019- August: RBI board approved Bimal Jalan report.
- It updated norms in such manner that RBI will be able to transfer more dividend / surplus to the Government. (तकनीकी मानदंडों में सुधार ताकि रिज़र्व बैंक अपने मुनाफे में से भारत सरकार को अधिक लाभांश दे सकें.)

14.32.2 🧑🏻👉👉👉 RBI gives highest/record-breaking dividend Rs 2.1 lakh crore to Govt (2023-24)

Topic self-explanatory from heading itself. We'll not waste time in why/how that happened?

14.32.3 🧑🏻👉👉👉 RBI's Financial / Accounting Year (वित्तीय वर्ष में बदलाव)

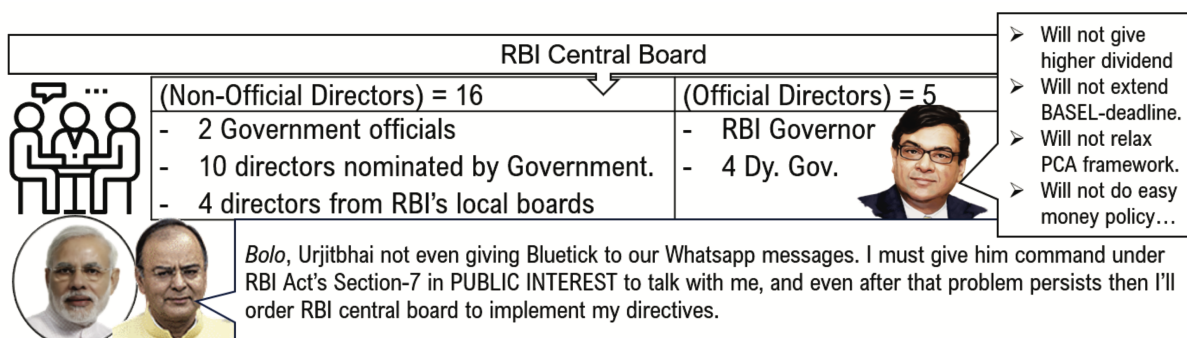
2019: Bimal Jalan panel recommended 📌 reform → RBI's central board accepted it



Before	After
RBI's financial year - 1934 onwards: January to December - 1940 onwards: July to June	- From 1 st April, 2021, RBI will switch to annual April-March format.
But Govt's financial year is April-March so, RBI had to give interim dividend to govt until RBI's final balance sheet was prepared, then another (full) dividend was given.	After this reform, no need for interim dividend (अंतरिम लाभांश वितरण नहीं देना होगा।)

14.32.4 🐼👉 Section-7 Directive & Urjit Patel's Resignation (इस्तीफा)

- ⇒ Section 7(1) of the RBI Act empowers the Government to consult with RBI Governor in Public Interest. (जनहित के लिए, रिजर्व बैंक कानून की धारा नंबर 7 के अंतर्गत सरकार गवर्नर के साथ विमर्श कर सकती है)
- ⇒ In, 2018-October, for the first time in the history of Independent India, Govt began a Section-7(1) consultation with RBI Governor Urjit Patel, on the issues of PCA norms, BASEL-III deadline, higher dividend to Govt., Cheap Monetary Policy etc.



- ⇒ If RBI Governor doesn't positively respond in such Section-7(1) consultation, then Section 7(2): Government can issue binding direction / orders to RBI Central Board to implement its wishes. (यदि गवर्नर, ऐसे विमर्श में, सरकार की बात नहीं सुनते तो, केंद्रीय बोर्ड द्वारा सरकार अपनी बात को लागू करवा सकती है)
- ⇒ Although, fearing backlash from media & opposition parties, Govt did not issue any specific directions to the RBI Board. But, 2018-Dec: Urjit Patel resigned before completing 3-year term.

AB CD ? MCQ. Find Correct statements about RBI: (UPSC Prelims-2021)

- The Governor appointed by the Central Govt. (रिजर्व बैंक के गवर्नर की नियुक्ति केंद्र सरकार करती है)
- Certain provisions in the Constitution give the Government the right to issue directions to the RBI in public interest. (कुछ संवैधानिक प्रावधानों के अंतर्गत केंद्र सरकार जनहित में रिजर्व बैंक को दिशा निर्देश दे सकती है)
- The Governor draws his power from the RBI Act. (गवर्नर को आरबीआई कानून से शक्तियां मिलती है)

Code: a) 1 and 2 only b) 2 and 3 only c) 1 and 3 only d) 1, 2 and 3

14.32.5 🐼 Mains Answer Writing

Problems of bad loan-origin, present reforms, future reforms suggestion, IBC code success and limitations, how to use technology to prevent / solve NPA, etc. This handout deals only with PRELIMS#RAFTAAR. I've separate course for Mains-Exam (code: QEP##), without extra fees.

Next Handout 📄 Pillar#1C: SEBI SHAREMARKET



Pillar#1C1: Sharemarket → Debt/Bonds

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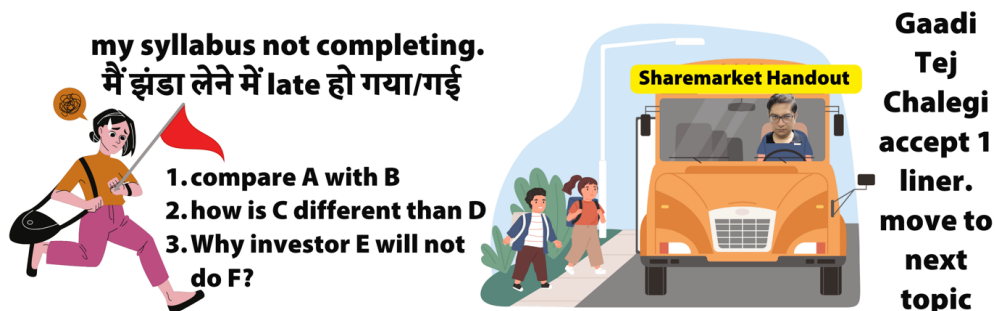
15 🐼📈🐼 PILLAR#1C1: SHAREMARKET IN UPSC

MCQs from SEBI/ Share market /Financial Market / Companies Act Topic in UPSC Prelims

Year	14	15	16	2017	2018	2019	2020	2021	2022	2023	2024	2025
MCQs	1	0	2	0	1	1	3	1	2	3	5	4

15.11.1 🚩👤 Boycott Notice for PHD in Sharemarket handout

Since UPSC has recently started asking special types of MCQs from Sharemarket related so **I've increased the topic coverage** in this handout = number of pages increased without any SHAME.



- We will only grab low hanging fruits / 1-liner-GK and move. If I have not covered something = that means I do not find it important for exam or I find it to have poor cost:benefit.
- I boycott unnecessary translation into Hindi for every term: because sharemarket-topic does not have much utility in the mains examinations.

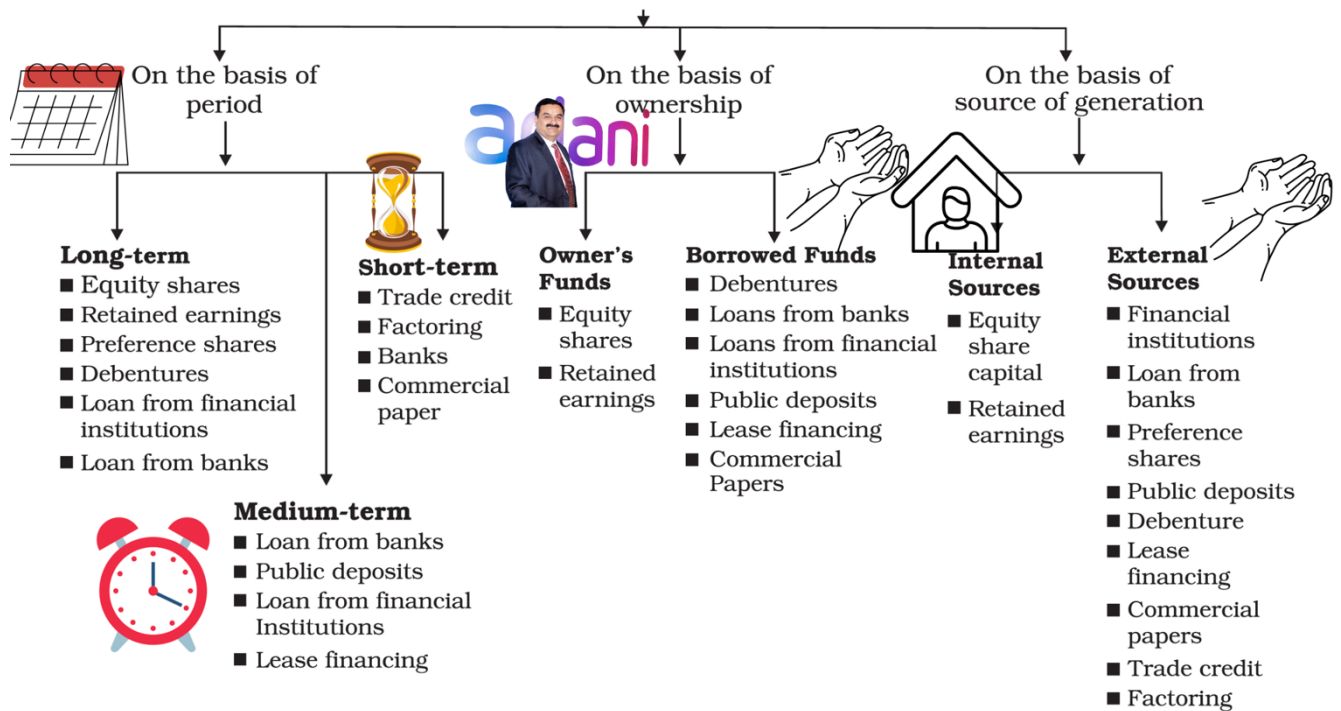
15.12 💰 CAPITAL (पूंजी)- TYPES FIXED VS WORKING

Capital required to meet financial needs of a company.

Fixed Capital (स्थायी)	Working Capital (कार्यकारी)
Money needed for purchase of land, plant and machinery, furniture, and other fixed assets.	Money needed for purchase raw materials, salaries to employees, rent of the office, advertising / marketing, other day-to-day operations, etc.



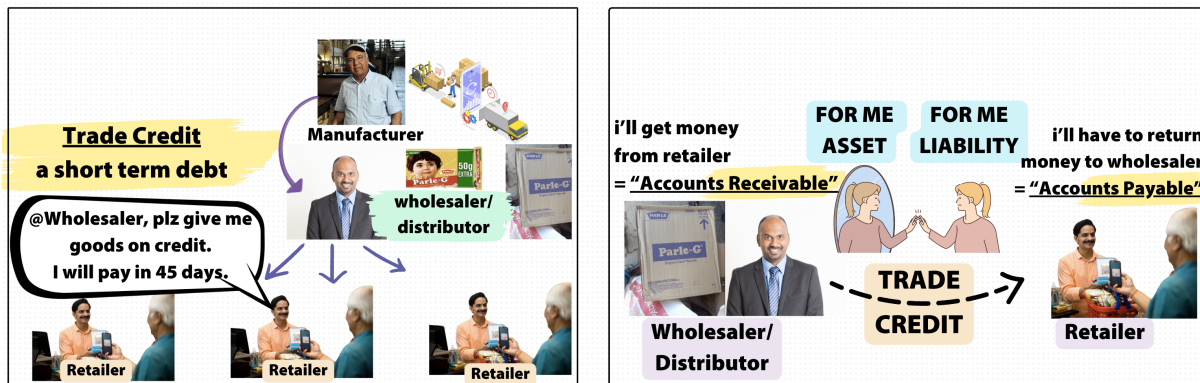
15.12.1 💰 Capital / Funding Arrangement: Types



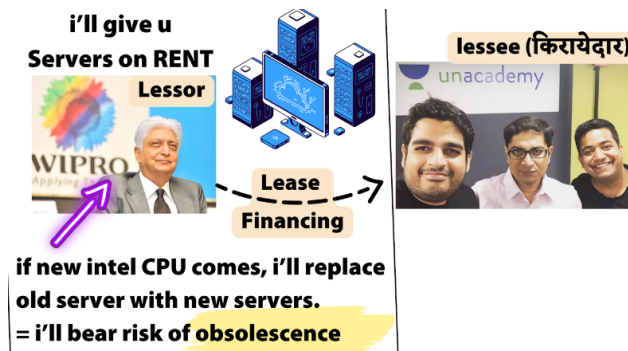
Source: NCERT Class12 Business Studies Ch.8

Wait till we finish entire handout, then these terms will make sense to you.

15.12.2 💰 Capital Arrange → Trade Credit, Account Receivable & Payable



15.12.3 💰 Capital Arrange → Lease Financing (Medium Term)



15.12.4 📁 Capital Arrange → Retained Earnings (Long Term)

- Company makes profit → ₹ goes into two channels.
- Some of the money given to shareholders as dividend.
- Remaining money is re-invested in the business = this is called “Retained Earnings”
- 🧑‍🦰 FAQ: who will decide how much money will be given as dividend/retained earning? Ans.

Company's board of directors.

15.13 📁 SECURITIES (प्रतिभूति)

A 'Security' means a certificate/document indicating that its holder is eligible to receive a certain amount of money at a particular time. This could be a...

👉 Equity: Share certificate	👉 Debt (ऋण): Bond / Debenture
Holder gets dividend from the profits of the company. If no profit, then no dividend.	Holder gets interest & principal irrespective of whether company makes profit or not.
Company's owners, proprietors (मालिक)	creditors of the company (लेनदार).
Have last claim during liquidation. So, Shareholders are 'Residual Claimants'.	first claim. नीलामी से मिलने वाली रकम पर पहला हक इनका
Attractive in boom period, since companies more likely to make profit so more chances of good dividend. Although during corona, many investors tried to buy shares cheap from secondary market, with hopes of getting profit after corona-recovery.	Attractive in slowdown period, since bonds provides fixed interest to the investor irrespective of profit of the company. निवेशकों को मंदी के दौरान ज्यादा अच्छे लगते हैं, क्योंकि जोखिम कम

🧑‍🦰 FAQ: Bond and Debenture are not same. They're having internal technical differences.

Ans. UPSC not asking b.Com/M.Com pedantry here. Then why burden brain's memory card?

AB CD MCQ. Consider the following statements: (Pre'25)

St-I: As regards returns from an investment in a company, generally, bondholders are considered to be relatively at lower risk than stockholders.

St-II: Bondholders are lenders to a company whereas stockholders are its owners.

St-III: For repayment purpose, bond-holders are prioritized over stockholders by a company.

Codes: (a) Both StII and StIII are correct and both of them explain StI

(b) Both StI and StII are correct and StI explains StII

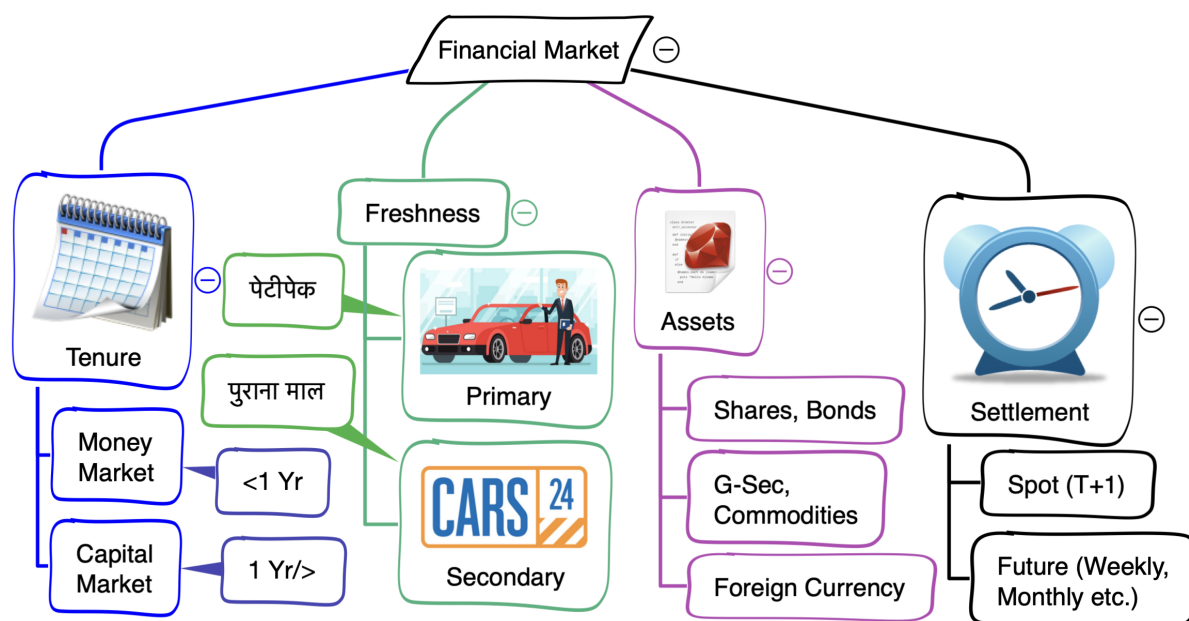
(c) Only one of the II and III is correct and that explains StI (d) Neither StII nor StIII is correct

15.14 📁 FINANCIAL / SECURITIES MARKET: MEANING AND TYPES

Financial Market is the place where buying and selling of securities takes place. Market doesn't require physical location. Can be done online / telephone as well.

Classifi.	Market Subtypes
Tenure: (अवधि)	1. 🕒 Money Market (<1 year maturity) मुद्रा बाजार 2. 📅 Capital Market (1 year/> maturity) पूँजी बाजार
Freshness प्राथमिक एवं	1. Primary Market (where new securities are issued for the first time). Helps a company / govt to connect with the investor. It has no separate physical existence but classified like this, for economic analysis. (इस बाजार का अलग से भौतिक स्थान नहीं होता)

Classifi.	Market Subtypes
द्वितीयक बाजार	किंतु आर्थिक आकलन के लिए आंकड़ों में अलग से दिखाया जाता है) 2. Secondary Market (where the old securities are resold). It may have physical existence e.g. Bombay Stock Exchange (BSE) at Dalal Street, Mumbai. Secondary Market provides liquidity & confidence to investors to buy new securities in Primary Market. (compared to a scenario if there was no market to resale used cars- तो कम लोग नई कार खरीदने जाएंगे.)
Settlement (निपटान)	1. Future Market: Where parties write contract today to buy/sell something at specific price on a future date. (भविष्य की किसी तारीख को खरीद/बिक्री के लिए वर्तमान में सौदा/समझौता किया जाए) 2. Spot Market: if bought & sold for immediate delivery.
Asset (परिसंपत्ति)	- Depending on what asset is traded, market can be divided into Bond (Debt) market, Share (Equity) market, G-Sec Market, Foreign Currency Market, Commodity Market etc. - if there was a supermall where all these products were available in one place it will be called “Universal Exchange”. SEBI permitted BSE & NSE to launch such thing (2018).



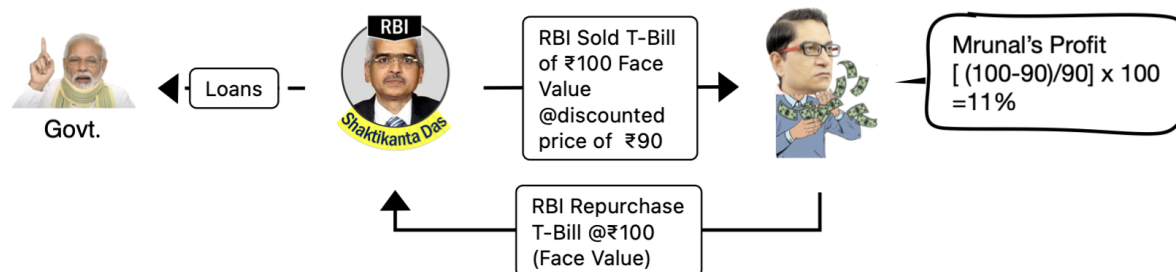
15.15 DEBT INSTRUMENTS (ऋण उपकरण)

Bond holders are creditors to company. First claim during liquidation. Assured interest irrespective of profit of company. These debt instruments can be classified into short-term vs long term.

15.15.1 Short term debt instruments (लघु अवधि ऋण उपकरण)

- Tenure = less than 1 year. Usually ‘unsecured’ because not backed by any asset.
- Usually sold at discount and re-purchased at Face Value or Par Value. The difference between these two prices is the interest earned by investor. सस्ते में बेचकर मूल भाव पर खरीदा जाता है

- Another synonym for this process: “**rediscount the bills.**”
- They're traded at **Money Market** and are (usually) ‘negotiable & transferable’ in nature i.e. lender can sell to 3rd party → 3rd party can demand money from borrower. (परक्राम्य और हस्तांतरणीय)
- They're also called **Near Money** = Asset that is highly liquid = can be readily converted into cash.



15.15.2 🗡️📅🕒🧑: Short term debt instruments → by Govt

Tenure	Union	State
Short (<1 yr)	T-Bills (14,91,182,364)	N/A. Stopped since 2001
Short	Cash Mgmt Bill (CMB) 91 days	N/A
Short	WMA & Overdraft by RBI	Yes, available
Short	N/A	Sp. Drawing Facility (SDF) by RBI
Long (1yr/>)	G-Sec	State Development Loans (SDL-Bonds)

🧑 FAQ: in other books, different info given. Ans. my table based on IYB-24 & Bizstd news-article.

AB CD ? Find Correct statements @ Asked in UPSC-Pre-2018)

1. The RBI manages and services Govt of India Securities, but not any State Govt Securities.
2. Treasury bills are issued by Govt of India and there are no treasury bills issued by State Govts.
3. Treasury bills offer are issued at a discount from the par value.

Ans Codes: (a) 1 and 2 only (b) 3 only (c) 2 and 3 only (d) 1, 2 and 3

15.15.3 Short-term Loans for Govts → WMA, Overdraft, SDF

RBI loan rate	Loan quota for State	Loan quota for Union
Overdraft= Repo + (2-5)%	State takes it when its SDF & WMA quota is over.	Union takes it when WMA quota is over
WMA = Repo%	₹60,118 cr (total combined quota for all States)	₹1.20 lakh cr
SDF = Repo-1%	depends on how much securities the State can pledge to RBI	N/A

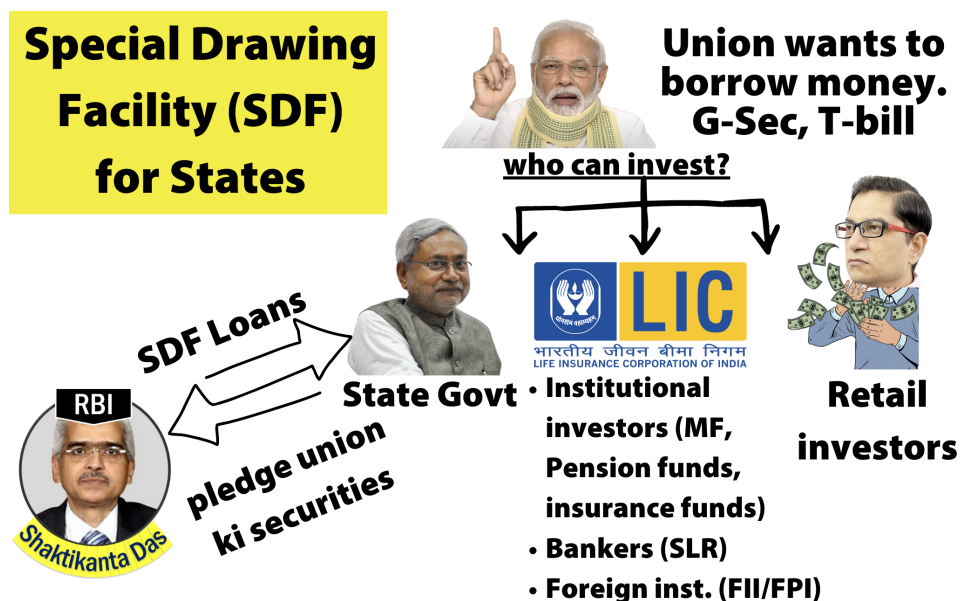
15.15.4 🗡️📅🕒🧑: Short term debt instruments → by Govt → WMA

- ⇒ When Govt faces short term mismatch in receipt (income) and payment (Expenditure)
- ⇒ RBI lends money for short term (3 months).
- ⇒ WMA numbers are not counted in fiscal deficit figure. (More in 📄 Pillar2D: FRBM)
- ⇒ Corona-crisis: ↑ mismatch in cashflow. So, 2020- ATMANIRBHAR Bharat initiative → RBI ↑

WMA limits to help the Union and State Govts. 2024- again RBI increased limits. But actual numbers not imp for exam. Watch video for more.

15.15.5 🗂️🕒👤: 🧑🏫🧑🏫🧑🏫 **Short term debt instruments** → by State Govt → SDF

- RBI's Special Drawing Facility (SDF) gives short term loans to State Govts/ UTs, against the Union's G-sec/T-bill securities as collateral



15.15.6 SDF/SDR - don't confuse or make khichdi

Boss	Name of the Window	To Help Whom?
RBI	SDF: Special Drawing Facility for States	Indian States to get short-term loans from RBI
RBI	SDF: Standing Deposit Facility	Bankers Deposit surplus ₹ in RBI, no G-Sec collateral. (Ref: Pillar#1A2)
IMF	SDR: Special Drawing Rights	Loans to Nations facing BoP-crisis (Ref: Pillar#3)

AB CD MCQ. In India, who can trade in Corporate Bonds and Govt Securities?(Pre'24-Set-C-Q53)

1. Insurance Companies 2. Pension Funds 3. Retail Investors

Codes: (a) 1 and 2 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

15.15.7 **Short term debt: Certificate of Deposit (CD-instrument by Bankers)**

⇒ Certificates of deposit (CDs) are unsecured, short-term, negotiable debt instruments issued by commercial banks in the money market.

⇒ 2023 sudden jump in the CD issued by bank.

⇒ Reason: Bankers received many loan applications, but don't have enough money to loan because

- A) enough quantity of deposit is not coming and
- B) repo loans becoming very expensive.

⇒ So bankers borrowing money by issuing CDs in money market.

Word	Meaning
NEGOTIABLE	a signed document that promises money to a specified person at a

INSTRUMENTS	specified time (एक दस्ताखत/हस्ताक्षर किया हुआ दस्तावेज जिसमें किसी व्यक्ति को किसी दिन पैसा देने की कसम/प्रतिज्ञा की गई है)
UNSECURED	no collaterals/assets are pledged. (कुछ गिरवी नहीं रखा गया)
SHORT-TERM	less than 1 year

15.15.8 Short term debt instruments → more types

Table 1: how does this work in real life? Ans. not important just remember 1-Word Association

Borrower	   Short term debt instrument (लघु अवधि के ऋण पत्र)
Company	- Bill of Exchange, Hundi, Commercial Papers, Promissory Notes.
Merchant	Commercial Bill.
Call Money	It's the interest rate when Financial Intermediaries (Banks/NonBanks) borrow for ONE DAY among themselves.
Notice Money	Same as above but for 2 to 14 days.
CBLO	Collateralized Borrowing and Lending Obligation. Clearing Corporation of India Ltd (CCIL) helps Financial Intermediaries (FI) to get short term loans through this instrument.
ICD	Inter Corporate Deposits are unsecured short-term loan made by a company with another company.
Repo	Repo and Reverse Repo= Ref: Pillar#1A2: Monetary Policy handout.

MCQ. Consider the following markets : [Pre'23-SET-A-Q025]

1. Government Bond Market 2. Call Money Market 3. Treasury Bill Market 4. Stock Market

How many of the above are included in capital markets?

(a) Only one (b) Only two (c) Only three (d) All four

 MCQ. "Collateral Borrowing and Lending Obligations (CBLO)" are the instruments of _ _ _ .

(Pre'24-Set-C-Q70) (a) Bond market (b) Forex market (c) Money market (d) Stock market

15.15.9 Debt → Short Term → Tri-party Repo

- ^^ The Tri-Party Agent (e.g. NSE or BSE) acts as an intermediary between the two parties to facilitate collateral custody, & repayment. Agent will earn commission from this deal.
- Tri-party Repo is **not** a tool of RBI monetary policy.

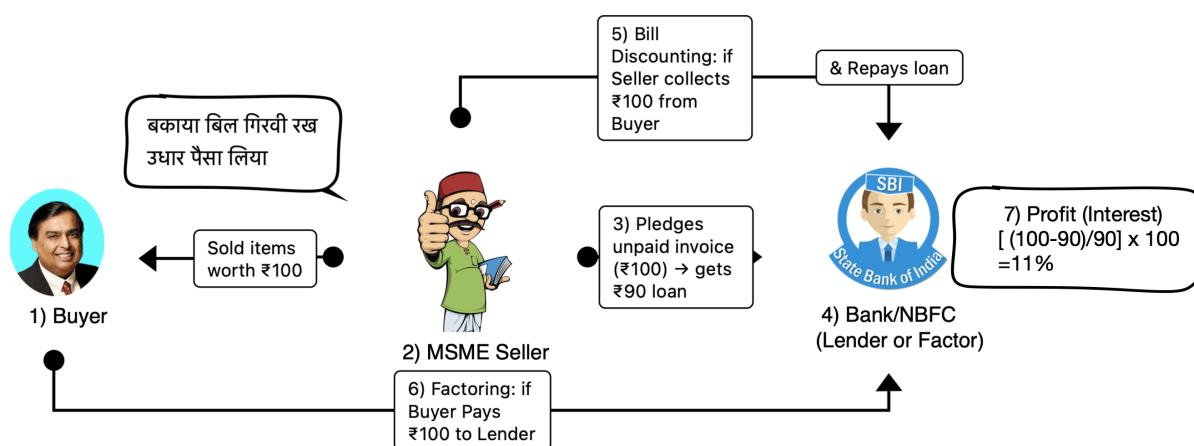
Type	(Normal) Bi-Party Repo	Tri-Party Repo
No. of Parties	(1) borrower (bank) (2) lender (RBI).	1) borrowers 2) lenders 3) Tri-Party Agent (e.g. NSE or BSE)^^

15.16 DEBT → SHORT TERM → FACTORING & TREDS

⇒ Suppose an MSME seller has sold cardboard boxes for jiophones to Mukesh Ambani but Mukesh Ambani says he will pay the bill next month. Presently this is an unpaid invoices.

⇒ MSME seller can pledge this invoice to a factor (bank/NBFC) to avail loans. (छोटी कंपनियां बड़ी

कंपनियों को सामान और सेवा बेचती है उसका जो बकाया पैसा है उसके बिल को गिरवी रख के लघु अवधि का कर्ज ले आये)



Bill Discounting	Factoring
MSME seller collects ₹₹ from Buyer (Ambani) & delivers ₹₹ to the Factor (bank/NBFC).	Factor (lender: bank/NBFC) directly collects ₹₹ from unpaid invoices from Buyer (Ambani).

15.16.1 Factoring Regulation (Amendment) Act, 2021

to amend the Factoring Regulation Act, 2011

Before	After
Banks and only “Factoring Companies (NBFC)” allowed to give loans under this system. There were only seven NBFCs registered as Factoring Companies.	Banks and all types of NBFCs allowed (After registering with RBI). → So now more than 9000 NBFCs in India can give loans → this will increase the availability of loans for the MSME.
-- earlier it was less.	RBI given more powers to regulate this business.
Earlier this was not clear and so MSME could commit fraud of “ dual financing ” i.e. Pledging the same invoice as collateral in multiple Bank/NBFCs.	Need to register the invoice-pledge-factoring-loan transaction on A central registry set up under the SARFAESI Act. This will prevent the dual financing frauds.

15.16.2 TReDS platform to connect factoring-players.

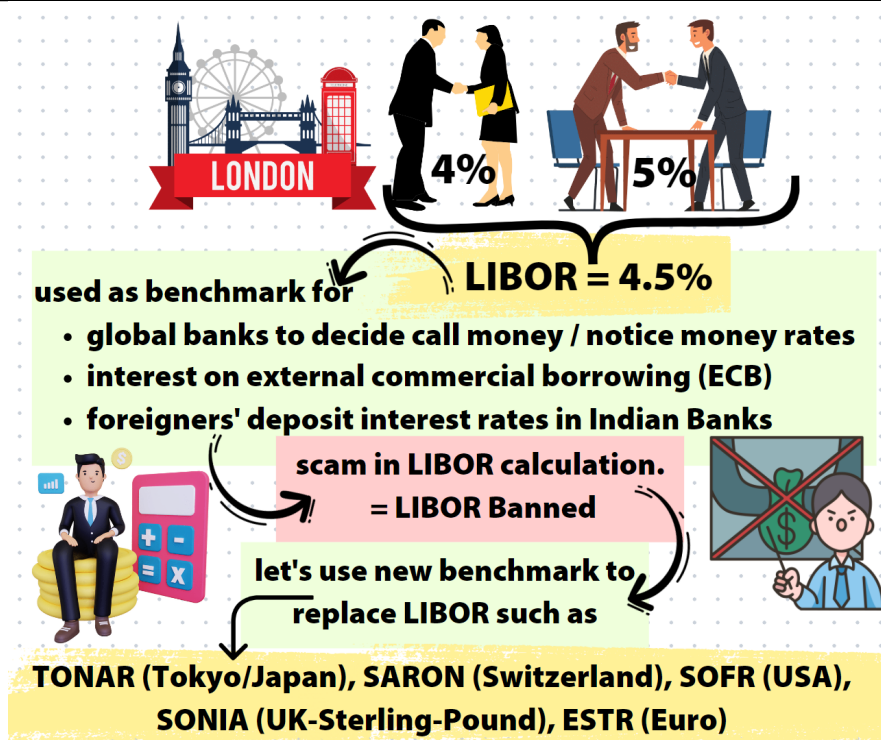
- ⇒ Just like quickr/olx connect buyers with sellers, the Trade Receivables Electronic Discounting System (TReDS) online-platform Connect the factors (bank/NBFC) with the borrowers (MSME).
- ⇒ Examples of 3 TReDs platforms: M1xchange, RXIL, and A.TReDS. Have to register with RBI.
- ⇒ Most famous is RXIL - Owned by the Small Industries Development Bank of India (SIDBI) and the National Stock Exchange of India Limited (NSE), State Bank, ICICI and Yes Bank .

15.17 DEBT → INTEREST RATE BENCHMARKS: LIBOR, MIBOR,

London Inter-bank Offered Rate (LIBOR) is the average interest rate at which banks in **London** give short term loans to each other.

MIBOR	In LIBOR definition, replace the word “London” → “Mumbai” and “Global” → “Indian”, and you’ll know what MIBOR is!
MIFOR	⇒ Mumbai Interbank Forward Outright Rate (MIFOR) Faded topic so deleting

from handout.



15.17.1 🗄️🕒 India's SORR → Secured Overnight Rupee Rate (SORR)

- Post-LIBOR controversy, RBI formed the Ramanathan Subramanian Committee to develop Rupee interest rate benchmarks.
- The committee proposed Secured Overnight Rupee Rate (SORR) as a benchmark (2024)
- SORR may replace Mumbai's MIBOR, though not confirmed yet.
- Financial Benchmarks India Limited (FBIL) will calculate SORR. It is a company formed by bankers and forex dealers.

AB CD ? Which of the following is /are example (s) of 'Near Money'? [UPSC-CDS-2016-I]

1. Treasury Bill 2. Credit Card 3. Saving accounts 4. Money Market Instruments

Answer codes: (a) 1 only (b) 2 only (c) 1, 2 and 3 (d) 1, 3 and 4

AB CD ? Which defines 'Hundi' of the post-Harsha period? (UPSC-Prelims-2020)

[a] An advisory issued by the king to his subordinates

[b] A diary to be maintained for daily accounts

[c] A bill of exchange

[d] An order from the feudal lord to his subordinates

AB CD ? Find correct statement(s) (UPSC-Prelims-2020)

1) 'Commercial Paper' is a short-term unsecured promissory note.

2) 'Certificate of Deposit' is a long-term instrument issued by the Reserve Bank of India to a corporation.

3) 'Call Money' is a short-term finance used for interbank transactions.

4) 'Zero-Coupon Bonds' are the interest bearing short-term bonds issued by the Scheduled Commercial Banks to corporations.

Codes: [a] 1 and 2 only

[b] 4 only

[c] 1 and 3 only

[d] 2, 3 and 4 only



15.18 LONG TERM DEBT INSTRUMENTS (दीर्घ-अवधि ऋण- उपकरण)

Tenure = 1 year/>>. Further sub-division based on who is the Borrower?

15.18.1 Colonial era Govt. to borrow money

- Coupon Bonds:** Contain detachable coupons. Coupons are presented to the issuer to claim the interest. Therefore, bond interest rate is also called 'coupon rate'.
- Zero Coupon Bonds/ Zero Interest Debentures (ZID):** Are sold on discount and repurchased at face value, do not have any coupons. (separate topic: Zero-Coupon, Zero-Principal Bonds- check 'social stock exchange' in this handout)
- Bearer Bonds:** Not linked to a PAN card, Aadhar card or passport, voter card or social security number. Anyone who presents it to the issuer, will get interest and principal. Usually issued during the war time.

15.18.2 Modern day Government to borrow money

- ⇒ **Government securities, Dated securities, Sovereign bonds** (संप्रभु बांड), *Kisan Vikas Patra etc.* (more in *Pillar 1D: Financial inclusion lecture*)
- ⇒ Also called **Gilt Edged securities** (उच्च / अग्रिम दर्जे की प्रतिभूतिया) because repayment is assured by Government. (But then, they give lower interest rate because of low risk to the investor).
- ⇒ Global Credit Rating Agencies gives 'rating' to sovereign bonds. "AAA" is the best and highest given to US Treasury Bonds. India's rating is ~"BAA" = moderate risk of default.
- ⇒ World's top three credit rating agencies- Fitch, Moody's and Standard & Poor have pro-US/EU allegiance. Critics allege these 3 agencies do not give adequate upgradation to the Govt bonds of India, China, Russia despite the economic growth. भारत में अच्छी-खासी आर्थिक वृद्धि के बावजूद भी यह पक्षपाती विदेशी संस्थान भारत को खराब रेटिंग देते हैं

MCQ. Consider the following statements:(Pre'24-Set-C-Q41)

St1: If the USA were to default on its debt, holders of US Treasury Bonds will not be able to exercise their claims to receive payment.

st2: USA Government debt is not backed by any hard assets, but only by the faith of the Govt.

Codes: (a) Both I & II are correct & II is the correct explanation for I

(b) Both I & II are correct & II is not the correct explanation for I

(c) I is correct but II is wrong (d) I is wrong but II is correct

15.18.3 Global Bond Indices & inclusion of Indian G-Sec

bond market index is a measurement/reporting tool to show the performance of the bond market.

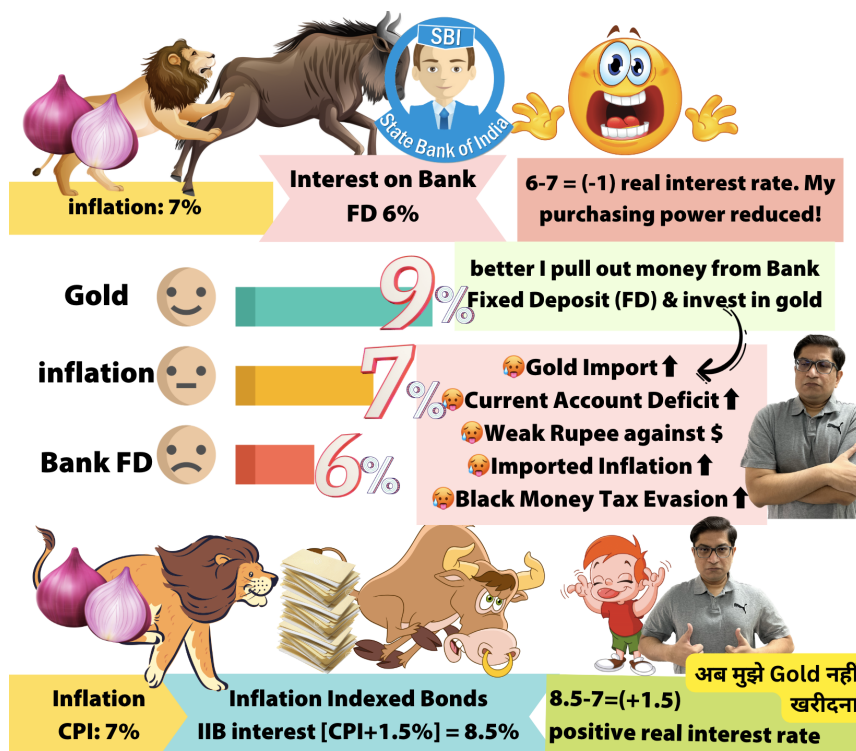
Name	Description	Indian G-Sec included?
JPMorgan GBI-EM	JPMorgan Govt Bond Index-Emerging Markets (GBI-EM) tracks prices of more than 15 emerging countries' G-Secs.	yes, from 2024
Bloomberg EM Index	Bloomberg Emerging Market (EM) Local Currency Government Index.	yes, from 2025

What are the benefits when Indian G-Sec included in global Indices?

- It improves the confidence of foreign investors in park their money into Indian government security. (विदेशी निवेशकों का भारत में विश्वास बढ़ता है)
- more investors = Easier liquidity to the existing investors in the secondary market.

15.19 BONDS ISSUED BY GOVT/RBI FOR SPECIAL PURPOSE?

15.19.1 RBI's Inflation Indexed Bonds (IIB-मुद्रास्फीति सूचकांकित बांड)



- RBI launched such bonds in 1997, 2004, 2013, 2018 to provide positive Real interest rate.

15.19.2 🏆📅📅 RBI's Capital Indexed Bonds (CIB) vs IIB

Sometimes the newspapers use the word Capital Indexed Bonds (CIB) to describe the IIBs. CIB is a very old and updated topic. But unnecessary **Vampire BabuShone** sucking my blood after looking at faaltu-MCQs by inexperienced quiz masters, so, I am forced to write this:

Bond-Year	CIB-1997	CIB-2004 & IIB-2013	**IINSS-C - 2013
Principal protected against inflation	Yes	Yes	Yes
Interest protected against inflation	No	Yes	Yes
Inflation-benchmark	WPI-Wholesale Price Index	WPI	Consumer Price Index (CPI)

- ** IINSS-C = Inflation Indexed National Saving Securities - Cumulative. (Full form not imp.)
- 🧐FAQ: CPI vs WPI? (Ref: Pillar#4E)
- 🧐FAQ: what if there is a deflation (= inflation falling below 0%), will investor loose money?
ans. No. Then RBI promised to pay minimum x% interest even if the inflation fell below 0%.

15.19.3 🏆📅📅 RBI's Sovereign Gold Bond (SGB) (started from 2015: संप्रभु स्वर्ण बांड)

RBI issues them on behalf of govt. Denomination: gold grams. But, RBI/Govt doesn't 'promise' to give you gold. They only promise to give you ₹₹ equivalent of latest gold price on maturity. इस बांड का मूल्य सोने के वजन के चिह्नित होगा. किन्तु परिपक्वता समय पर आपको सोना नहीं, उस सोने के वजन के हिसाब से मूल्य जितना रुपया देंगे।

- Annual interest 2.5-2.75% (depending on which year's 'batch' you bought.)
- Tenure: after 8 years you get the amount equivalent to prevailing gold prices at that time. हर साल नियत व्याज, परिपक्वता समय पर बाजार में यदि सोने का दाम बढ़ा होगा तो आपको मूलधन से भी ज्यादा ₹₹ वापस दिए जाएंगे.
- **Eligible investor categories:** Indian resident individuals, Hindu Undivided Families (HUFs), trusts, universities and charitable institutions. सिर्फ यह लोग या संस्थान ही खरीद सकते हैं
- **How much can you buy?** Minimum 1 gm to max upto 20kg depending on investor's category.

🧐Benefit ? reduces the import-demand for physical gold and shift a part of the domestic savings -- used for the purchase of gold -- into financial savings. (More in 📄Pillar#3A)

i'll invest

bcoz this was the price of 10gm gold in 2015

₹26,000 (2015)

SGB Bond 10 Gm

annual interest also given



RBI

i'll return

bcoz this is the latest price of 10gm gold after 8 years

₹65,000 (2023)

15.19.4 🏆📅📅 Govt to stop borrowing via SGB due to high gold price (2025)?

matter	2019	2024	Percentage Increase
Gold Price (per 10 grams)	~₹35,000	~₹75,000	~114%

Increase in gold prices → increases Government liability to repay loans taken via SGB.

Therefore newspapers hinting that Govt may stop borrowing via SGB in the future (2025 report).



15.20 ✂️📅👤✈️ LONG TERM DEBT INSTRUMENTS BY COMPANIES

- 1) **Bonds** (British Term), **Debentures** (American Term): Internal difference not important.
- 2) If the company has high risk of default on repayment, the Credit Rating Agencies will mark it as Junk Bonds ("BB to D" Grade) e.g. IL&FS. Such company will have to offer a very high interest rate when issuing bonds next time. ज्यादा जोखिम पूर्ण कंपनी ने निवेशक को लुभाने के लिए ज्यादा ब्याज देना होगा
- 3) **Redeemable Bonds** (मोच्च): will repay regular interest and will return principal on maturity.
- 4) **Irredeemable Bonds** (अमोच्च): will pay only interest but no principal returned. Sometimes issued by PSB to meet BASEL-capital requirements. Although in reality they offer 'redemption' after 5-10 years when holder has 'option' to redeem principal & exit. (Ref: Pillar1B2= AT1 Bonds)
- 5) **Secured vs Unsecured**. **Secured = asset is pledged**. **Unsecured = not pledged**.
- 6) **Non-convertible Bond/Debenture** = can't be converted into shares.
- 7) **Hybrid instruments**: Issued as "Bond" but can be converted into Share. E.g. Optionally Fully Convertible Debentures (OFCD).

15.20.1 🐸 Hybrid financing / Mezzanine Financing

- It has elements of both debt (loan) and equity (partnership).
- Lender gets a right to convert the debt (bond) to an equity (share).
- it is done via instruments such as Optionally fully convertible debentures (OFCD).
- Venture Capitalists usually do it in the start-up companies.

Instrument	Normal / Traditional Bonds / Non-convertible debenture (NCD)	OFCD	Share (Equity)
Interest/ Return on Investment	12%	8%	uncertain
Rights/ Claim during liquidation of company	first right	middle	last/residual claim

^^ Numbers only for e.g. that OFCD normally pay less interest than traditional bonds(NCD).

AB CD ? MCQ. Find correct statements about Convertible Bonds (Prelims-2022)

1. As there is an option to exchange bond for equity, Convertible Bonds pay a lower rate of interest.
2. The option to convert to equity affords the bondholder a degree of indexation to rising consumer prices. Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

15.20.2 🐸 Hybrid: OFCD: Sahara Refund portal (2023)

Sahara company issued OFCD without SEBI permission then SEBI collected ₹23,000 cr from Sahara as penalty. Then SC ordered SEBI to transfer ₹5000 cr to Ministry of Coop. → Central Registrar of Cooperative Societies (CRCS, a statutory body under Multi-State Co-operative Societies Act 2002) → CRCS - SAHARA REFUND PORTAL setup. 2023: Each investors given ₹10,000 refund from it

15.20.3 🐸 Hybrid: Foreign Currency Convertible Bonds (FCCBs):

- FCCB investor has option to convert his bond Into shares at pre-determined exchange rate.
- The FCCB's are issued in a foreign currency and carry a fixed interest rate
- e.g. 2010: Tata issued FCCB worth \$1 billion. (Investors gave dollar currency)

Terms	Example
-------	---------



Face Value	\$1000 for one bond
Tenure	5 years
Interest	5% on face value in dollars = 50 dollars.
Conversion option	if INVESTOR wanted he could convert 1 Bond (of \$1000 value) -into 1 share of ₹45,000 face value each. (2010's exchange rate \$1=₹45)

Usually, FCCB's interest rate lower than non-convertible debentures (NCD). (because company is giving you the lollipop of conversion. So you cannot eat Laddu both ways ke I want high interest rate and also I want conversion option.)

15.20.4 🦋 Hybrid: Contingent convertible bond (CoCo)/ enhanced capital note (ECN)

Its features are hybrid Mix of i) AT1 Bonds (Ref 1B2) and iii) OFCD.

we'll pay u "A%" interest rate But

- if Condition "B" happens, we'll convert it into Shares
- If Condition "C" → we'll write-off principal + Interest and will not even convert it into share.

15.21 📅📅📅 BONDS TYPES : BASED ON ISSUER

15.21.1 📅📅📅 Bonds Types : Based on Issuer → ULB (Urban Local Bodies)

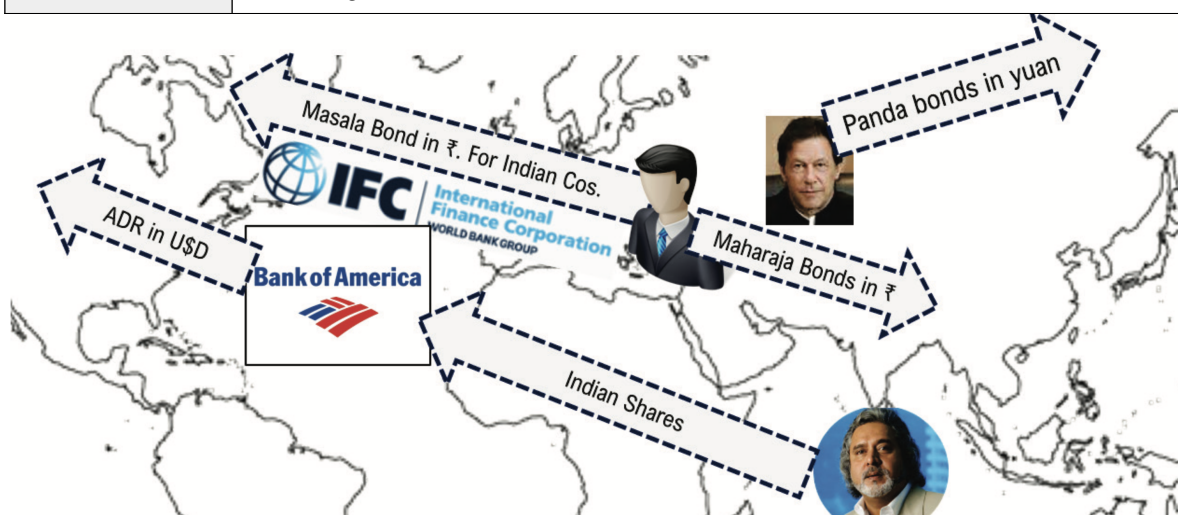
Year	Event
1996 [#]	Ahmedabad Municipal Corporation was the first urban local body to raise funds through municipal bonds (₹100 cr); without state govt guarantee.
1997 [#]	Bangaluru Mahanagar Pallike (BMP) was to issue municipal bonds for ₹ 125 crore. (= Matlab ki this much large size ₹ 125 cr krne walla first ULB was Bangaluru.)
2020	Lucknow Municipal Corporation (LMC) issued bonds worth ₹ 100 cr. it is the first municipal bond from North India.
2021	- Ghaziabad Municipal Corporation (Uttar Pradesh), issued first-ever Green Municipal bond in India. (भारत का सर्वप्रथम हरित नगर निगम बॉन्ड) - however, it was 'private placement' i.e. only selected big players allowed to invest. normal retail investors couldn't apply for it.
2023	Indore becomes first civic body to launch municipal green bonds in India for retail investors (aam aadmi) . This money was used for solar plant
2024	Ahmedabad becomes 2nd to issue municipal green bonds after Indore.

#👤 Note: **Various books/websites are giving different facts about "who was the first to issue Muni.Bonds?"** Ans. I've copy pasted from Prof. Bharati Pathak's book on financial market & PIB.

15.21.2 📅📅📅 Bonds Types : Based on Issuer → Global

Issuer	Objective? उद्देश्य?
BRICS Bond	- 2014- BRICS Nations had setup the New Development Bank (NDB, HQ: Shanghai, China). Later it launched BRICS Bonds to mobilize money for its infrastructure loans. Denomination: US Dollars

Issuer	Objective? उद्देश्य?
World Bank 	2018: launched world's first Blockchain Offered New Debt Instrument called Bond-i. Sold in Australia using Ethereum blockchain technology. Tenure: 2 years @~2% interest. Denomination: Australian Dollars, hence also called "Kangaroo Bond".
Evergrande Crisis	Evergrande is a Chinese real estate developer company. Facing trouble repaying its bonds. Foreign investors panicked, resulting in crisis in Chinese and global financial markets. HOW? NOTIMP.



15.21.3 🗂️📅 Long Term Debt Instruments: Masala, Maharaja, Panda Bond

🌶️ **Masala Bonds**: These rupee denominated bonds issued outside India, to borrow money for Indian companies. World Bank's sister agency International Financial Corporation (IFC) launched 'Masala Bonds' to help Indian public sector and pvt sector companies.

⇒ 2015: RBI allowed Indian entities to launch such Masala Bonds.

⇒ 2017: National Highways Authority of India (NHAI) also issued Masala Bonds in London Stock Exchange to mobilize money for Indian Highway projects.

⇒ 2019: Kerala became the first State of India to issue Masala Bonds. Its Kerala Infrastructure Investment Fund Board (KIIFB) issued Masala Bond at the London Stock Exchange.

Denomination: ₹ ₹ Total Size: ₹ 21.5 billion. Tenure: 5 years. Masala Bonds are usually issued by institutions with AAA rating. Since KIIFB has BB rating, hence offered higher interest rate:

~9.7% (वरना कोई खरीदता नहीं)

Table 2: rapid revision table for Bond types based on currency

👉 Issuer →	🌐 Borrowing from →	💰 In currency →	🗂️📅 Is called
Non-Chinese →	China →	Renminbi (=yuan)	🐼 Panda Bonds
Non-Chinese →	Hong-Kong	Renminbi (=yuan)	Dim sum Bonds. Dimsum=type of food
Non-Australian	Australia	Australian dollar	🦘 Kangaroo Bonds
Non-Indian	India	Rupee	👑 Maharaja Bonds
(Indian or a non-Indian on	Outside India	Rupee	🌶️ Masala Bonds

👤 Issuer → behalf of Indians)	🌐 Borrowing from →	💰 In currency →	🏳️ Is called
Non-Taiwanese entity	Taiwan	OTHER than Taiwan dollar	Formosa Bond

AB CD ? Find correct statement about 'IFC Masala Bonds' (UPSC-Pre-2016)

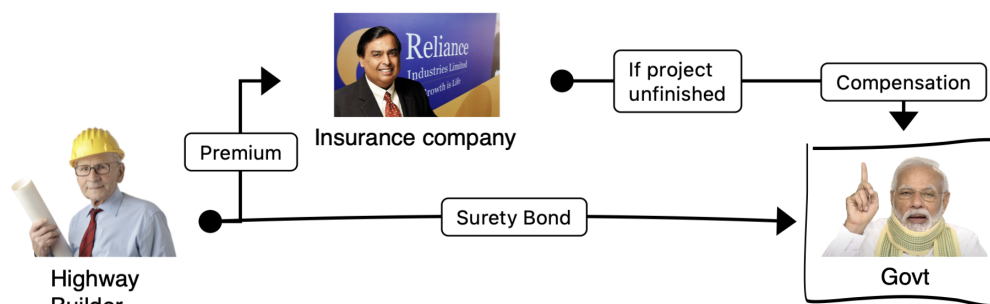
- The International Finance Corporation, which issues them, is an arm of the World Bank.
- They are rupee-denominated bonds & a source of debt financing for public & private sector.

Answer Code: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

AB CD ? Which one of the following is a viable alternative to term-loans for raising debt finance by large publicly traded firms? (UPSC-IEnggS-2018)

- (a) Shares (b) Debentures (c) Asset loans (d) Gold loans

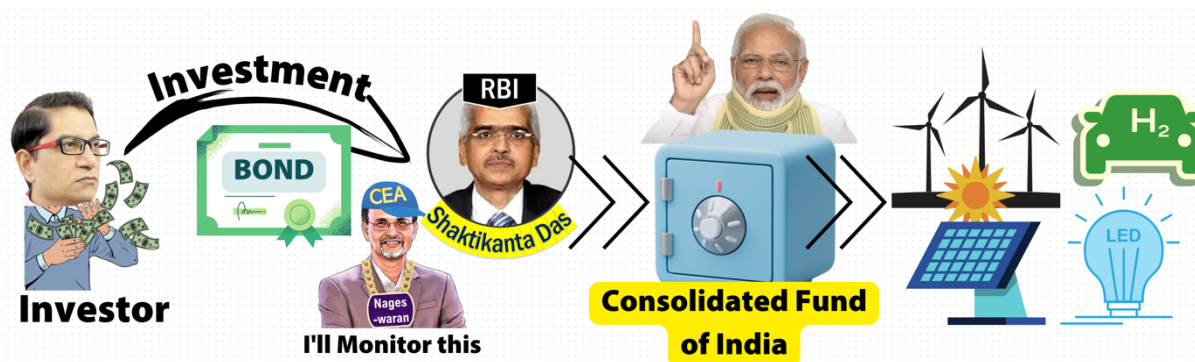
15.21.4 🗂️ 📅 Long Term Debt Instruments: Special purpose: 🚦 🚗 Surety Bonds



⇒ What does above chart mean? Ans. Refer to Video lecture.

⇒ 🛒 Budget-2022 said we'll allow Surety Bonds. IRDAI will regulate this.

15.21.5 🗂️ 📅 Long Term Debt : Special purpose Bonds- Sovereign green bonds (2022)



⇒ 🛒 Budget-2022 announced this. RBI sells them via E-Kuber platform to investors.

⇒ Money will go to Government's Consolidated fund of India-CFI (what is it? Ans. Ref Pillar2A)

⇒ From CFI → borrowed money will be used in following purposes

✅ Money will be used	👤 Will not be used (यहां इस्तेमाल नहीं होगा)
Subsidies, Grants, Tax-Cuts For:	⇒ Nuclear power generation, landfill projects,
⇒ Renewable energy- solar, wind etc	⇒ alcohol/weapons/tobacco/gaming/palm oil industries
⇒ Energy efficiency e.g. LED bulbs	⇒ Hydropower plants larger than 25 MW
⇒ Clean transportation e.g. Electric Vehicles	
⇒ Water and waste management	



✅ Money will be used	👉 Will not be used (यहां इस्तेमाल नहीं होगा)
⇒ Pollution control, Green buildings	
Equity (share) investment in metro projects	N/A

Above investment projects will be reviewed by Finance Ministry → Green Finance Working Committee (GFWC) headed by the Chief Economic Advisor (CEA) (इनके द्वारा समीक्षा होगी).

MCQ. Which budget announced Sovereign Green Bonds ? (CAPF-2025)

(a) 2022-23 (b) 2021-22 (c) 2023-24 (d) 2019-20

15.21.6 📅📊📈🌱 Green Bonds Greenium

Greenium refers to investors willing to accept lower interest for sustainable impact. (किसी हरित प्रोजेक्ट की सकारात्मक असर के चलते लिए एक निवेशक कितना नुकसान सहने को तैयार है, उसे ग्रीनियम कहते हैं।)

Parameter	Normal Bond	Green Bond-A	Green Bond-B
Face Value	\$1,000	\$1,000	\$1,000
Coupon Rate	3%	2.7%	2.5%
Investor's Return Difference	Baseline	-0.3% (Greenium)	-0.5% (Higher Greenium)
Environmental Impact	None	Positive	Greater Positive Impact

- When investor is willing to pay higher greenium (e.g. Green Bond-B) that means investor has more trust/faith in the positive outcomes of the project.
- 📅 ES24 noted that Indian sovereign green bonds not received much 'greenium' from private investors, despite having a good rating. Probably due to the issues of trust / transparency in India's green projects. (भारत के सार्वभौम हरित बॉण्ड की अच्छी रेटिंग के बावजूद उसे ज़्यादा ग्रीनियम नहीं मिल रहा, क्योंकि निवेशकों को इसमें विश्वास कम है।)

15.21.7 📅📊📈🌱👉 Sovereign green bonds are flop, investors not attracted (2025)

In Jan 2025, RBI's ₹10,000 crore Sovereign Green Bond issue saw ~70% bonds unsold due to:

- Nearly 50% funds allocated to **electric trains**; investors skeptical due to Indian Railways' **profitability issues**.
- **Transparency/accountability** concerns by investors. Bcoz, Indian government is yet to release 2023 impact-data (as of Feb 2025.)
- Low secondary market **liquidity** discouraging primary market buyers.
- **Low credit rating** as bonds weren't backed by major international organizations.

15.22 📅📊📈🌱 LONG TERM DEBT INSTRUMENTS: SPECIAL PURPOSE BONDS- MISC.

15.22.1 🌱 Special Purpose: Greenbonds (हरित बांड) पर्यावरण संरक्षण और स्वच्छ ऊर्जा संबंधी

For renewable energy, pollution control, environment friendly projects.

- World's first Green Bond launched by World Bank (2007)
- India's first Green Bond launched by Yes Bank (2015)
- BRICS-New Development Bank issued Yuan- green Bonds (2016)
- Indian Renewable Energy Development Agency (IREDA) launched India's first **Masala Green**

Bond at London Stock Exchange (2018).

- 2021: India's first ever euro currency- denominated green bonds by Power Finance Corporation (PFC, an NBFC company under Power Ministry)
- 2022: Sovereign green bonds. Explained in previous section

 Blue Bond (नील बांड)	A sub-type of green bond, where money borrowed for climate resilient water / marine / fisheries projects. E.g. 2018- Seychelles issued world's first 'Blue Bond,' to expand its marine protected areas and fisheries sector. (समुद्री संरक्षित क्षेत्र और मत्स्य क्षेत्र)
ESG Bonds	Money is invested in bonds of companies having good track record of Environment, Social and Governance (ESG) बॉण्ड निवेश उन कंपनियों में जो पर्यावरण, समाज और शासन की मैं अच्छा काम कर रहे हैं
Oil Bonds	Explained in 📄 Pillar#2- along with taxes on petrol and diesel.
 (proposed) Consol Bonds for Corona- revival	⇒ US Govt (1870s) and British Govt (1917) had issued Consol bond. ⇒ Consol is short form for 'consolidated annuities'. ⇒ Consol bonds have no maturity date. They are perpetual bonds that paid 4-5% interest rate, for an infinite time period. In theory they don't repay the principal amount back to investor. Thus, they're Irredeemable Bonds (अमोच्य). ⇒ However, in reality, the Govt may redeem(/buyback) the bonds after certain years, by paying principal to the investor. कुछ वर्षों बाद सरकार पुनः खरीद लेगी ⇒ Some economists suggesting Indian govt should issue Consol Bonds for Post-corona economic revival. (अर्थव्यवस्था को पुर्नजीवित करने के लिए)
 (Proposed) Elephant Bonds for black money	⇒ 2019-May: Commerce ministry's Dr. Surjit S. Bhalla Committee 'to improve India's share in global trade' suggested 'Elephant Bonds'. Tenure: 25-years. ⇒ People declaring Black Money will be required to invest x%. → ₹ ₹ to be used only for infrastructure projects. जिनके पास काला धन किन्तु सजा से बचना है तो वे इसमें निवेश करें और पैसा बुनियादी अवसंरचना निर्माण में उपयोग होगा
 Social Impact Bonds (सामाजिक प्रभाव बांड)	2019: SIDBI issued ₹ 300 cr. worth Women's Livelihood Bonds (महिला आजीविका बॉन्ड) with the help of World Bank, UN Women org etc. - These bonds will be offered to High Net worth Individuals (HNI), Impact Investors (rich people interested in 'indirect' social service) etc. They'll earn 3% annual interest rate for tenure of 5 years. - Money collected → SIDBI → Micro Finance Institutes (MFI) → loaned to individual women entrepreneurs in food processing, agriculture, services etc. 2021: Skill Impact Bond: By National Skill Development Corporation (NSDC) with help of global partners from UK, Dubai etc. \$14.4 million for skilling 50,000 Indian youth job.
 NABARD Social Bonds (2023)	• NABARD listed 'Social Bonds' on the Bombay Stock Exchange (BSE). - Interest 7.##%, Tenure: 5 Years. • India's first AAA-rated Rupee currency social bond in the country. • Money will be used for Jeevan Mission (= Union govt's drinking water project)

Sukuk Bond/Islamic Bond	It is a sharia-compliant bond instruments used in Islamic nations. Was in News because Pakistan Govt issued such bonds. How it works? In which currency is it issued? How it's different than ordinary bonds? NOTIMP4Exam after looking at old papers.
--------------------------------	---

15.22.2 🌩️ CAT Bonds / Catastrophe Bond (आपदा)

LIC
भारतीय जीवन बीमा निगम
LIFE INSURANCE CORPORATION OF INDIA

LIC doesn't issue it, just for symbolic purpose

CAT-Bond	No disaster	if disaster occurs
Principal	Repaid	Lost fully or partially ^^
Interest	Repaid	Lost completely or Suspended during disaster year ^^ ^^ depending on Terms conditions

Frequency → Less common

investor bhai it was only 6.8 Richter so u've to repay my P+I

issuer फूट इधर से! it was 7 scale so, 'event triggered'! so, we won't repay P+I

Disaster relief ke liye fund **trigger event pe litigation**

15.22.3 🗡️ Bonds → Bhutan Mindfulness City ke liye “Nation Building Bond” (2024–25)

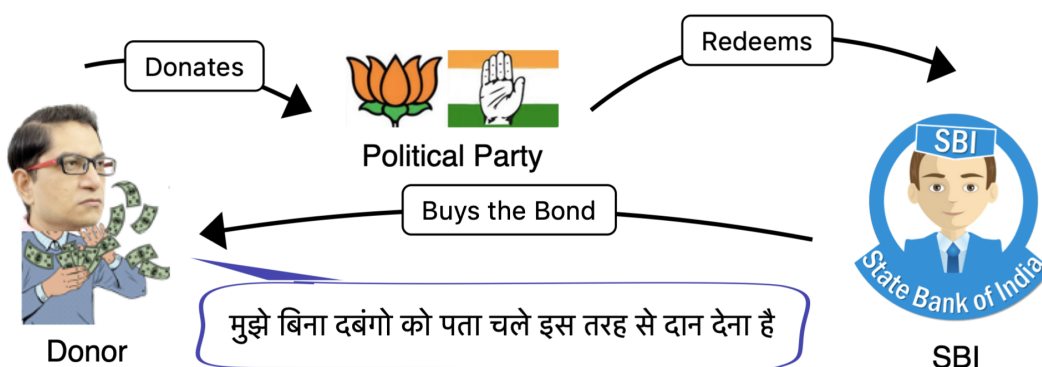
Issuer & Amount	By Bhutan Govt. \$100 million & 10 years tenure.
Objective	To build a new city 'Gelephu Mindfulness City' (GMC)

15.22.4 Bonds → Zero coupon zero principal instrument



- issued by Not for Profit Organization (NPO), Non-governmental organization (NGO)
- Money used for social service. they repay NEITHER principal NOR interest.
- Zero Coupon Zero Principal (ZCZP) Bonds do not repay any interest or principal.
- They can't be re-sold in the secondary market.
- They can be transferred to legal heirs. (E.g. Amitabh Bacchan to his son Abhishek)
- ZCZP is akin to a donation made to a charity. But it gives greater transparency/accountability because the issuer will have to disclose all the financial details to SEBI & investors.
- 2023-Nov: Unnati is a not-for-profit organization formed in issued bonds at NSE-social stock exchange for the skill development of youth.

15.23 🗳️🔪📄🕒 ELECTORAL BONDS (चुनावी बांड, 2017)



- ⇒ Announce in Budget 2017 → Notified by Dept. of Economic Affairs, Finance Ministry (आर्थिक मामलों का विभाग). Only SBI can issue at present, and in multiples of Rs.1,000, Rs.10,000, Rs.1,00,000, Rs.10,00,000 and Rs.1,00,00,000.
- ⇒ Controversy about the SBI's commission, printing cost and GST on sale of electoral bonds. But not much imp for exam. Enough to know Government pays [Commission + GST] to SBI for selling these bonds.
- ⇒ **When to buy?** For ten days at the start of each quarter. (January, April, July and October). However, during Lok Sabha election year, can sell for another 30 days.
- ⇒ **Who can buy?** Only an Indian Citizen or Company registered in India → deposit money in their bank account → use that ₹ to buy Electoral Bond, after giving certain KYC-documents. So, Electoral Bond can't be bought **anonymously** or directly with **cash**.
- ⇒ Electoral Bonds can be donated only to a political party registered under **Representation of the People Act 1951 (RPA: लोक-प्रतिनिधित्व अधिनियम)** and which has secured 1% /> votes polled in last Lok Sabha or Vidhan Sabha elections.
- ⇒ 📅 **Validity (वैधता अवधि)?** Only 15 days from date of purchase. Within that time, buyer must donate, and political party must deposit in its SBI (current) bank account. No interest payable.
- ⇒ **Characteristics of electoral bonds? (विशेषताएँ)**
 - Paper / Physical format (not DEMAT / electronic format).
 - **Bearer** instrument (Donor or Recipient's name not mentioned),
 - **Promissory Note** (promises to transfer money in bank account)
 - **Interest Free** banking instrument (zero interest payable to anyone).
 - Can't sell it to third party, can't pledge it for loans. (गिरवी नहीं रख सकते)
- ⇒ 🏆 **Benefits of electoral bonds?**
 - Transparency in political funding. (राजनीतिक चंदे में पारदर्शिता)
 - Reducing influence of cash and black money in election, (काले धन का प्रभाव)
 - Confidentiality to donor- from his wife, staff, CA, Lawyers, journalists, local goons etc. they can't know the name of recipient political party. (दाता को गोपनीयता)



15.23.1 🗳️👤 SC bans electoral bonds (2024-Feb)

Note: I am not going into polity/mains analysis. Just basic facts for MCQ. Supreme Court ruled that:

- Electoral bonds can promote corruption & quid pro quo (e.g. businessman giving the fund and minister passing his contract for highway/mining etc) (चुनावी बांड भ्रष्टाचार को मदद करते हैं)
- Electoral bond violates the provisions of (1) Representation of the People Act, (2) Companies Act, and (3) Income Tax Act, (4) Voters' right to information about political funding under Article 19(1)(a) of the Constitution. (जन प्रतिनिधित्व कानून, आयकर कानून, मतदाता का चुनावी पक्षकी फंडिंग के बारे में जानने का बुनियादी अधिकार, आदि का उल्लंघन होता है)
- Donors' right to privacy is not bigger than voters' right to know. (फंड-दाता का अपने दान को गुप्त रखने का अधिकार, मतदाता के जानकारी पाने के अधिकार से बड़ा नहीं है)
- SBI must disclose the list of all donors & recipient political parties from 2019–24 to election commission → election commission must disclose this database to public, by 2024-March. (किस दाता ने किस पक्ष को कितना चंदा दिया? उसकी सारी जानकारी एसबीआई ने चुनाव आयोग को देनी होगी. और चुनाव आयोग ने वह जानकारी सार्वजनिक रूप से प्रकाशित करनी होगी.)

15.23.2 🗳️ Electoral Bond & Companies Act - SC bans amendments

Matter	Companies Act 2013	Amendment in 2017
How much money can a company donate to a political party?	not more than 7.5% of 3-years' average net profits	Unlimited. कंपनी मन चाहे उतनी मात्रा में चंदा दे सकती है
Does the company need to disclose the name of the recipient political party in its financial statements?	yes Company to disclose name of the political party to whom company gave the donation.	no need to mention exact name. (किस पक्ष को चंदा दिया? कंपनी ने वित्तीय दस्तावेजों में उसे स्पष्ट रूप से बताना ज़रूरी नहीं।)

2024: SC declared above amendments in the company act as unconstitutional because they (1) can promote corruption (2) Violate the voters right to know about the political party's funding sources. (सर्वोच्च न्यायालय ने कंपनी कानून में किए गए इन सुधारों को गैर-संवैधानिक घोषित किया है)

15.23.3 🗳️👤 Electoral Trusts (ET) Scheme (2013)

- 2013: UPA/Congress govt launched it. It allows a company to create an electoral trust.
- Such Electoral Trusts (ET) can receive donations from other (persons/companies) → ET donates it to various political parties. e.g.

Donors →	Electoral Trust →	Recipient Parties
DLF, GMR, Bharti Airtel, etc. companies	Prudent Electoral Trust	Congress, BJP, regional parties

Here, it is difficult to trace how much of Bharti Airtel's donation went to BJP. Thus, it provides anonymity to the donors. This scheme is not yet banned by courts (2024).

15.24 🗳️👤 BONDS: MISC. TYPES

15.24.1 🗳️👤 Bonds: Misc. Types → Market Linked Debentures/Bonds

Their interest is not fixed. It is linked to an underlying market index e.g. SENSEX, G-Sec-Yield, gold price index, etc. [What is SENSEX? Ref Pill1C2: Share/Equities]

15.24.2 ✂️🗑️ Bonds: Misc. Types → Strip bond / Stripped bond (Deleting from HDT)
Technical. Deleting. Not much in news nowadays.

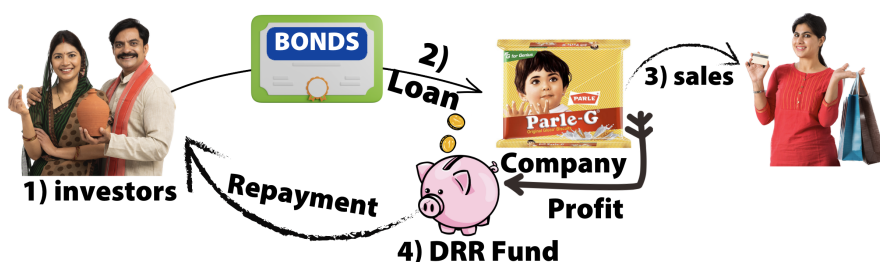
15.24.3 ✂️📁: 🤑 Bond Yield, Yield Inversion, Negative Yield

Bond Yield	(Finished in 📄 Pillar#1A2: Operation Twist)
Yield Inversion	Not important but u can do PHD from this video: youtube.com/watch?v=BDACRJAO-48
Negative Yield	Not Important/outdated.

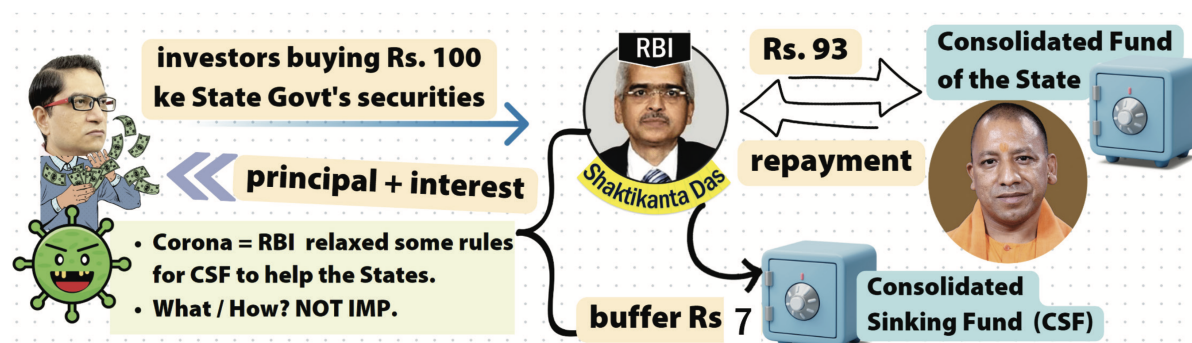
15.25 🪴✂️ BUFFER FUNDS FOR BOND REPAYMENT

15.25.1 🪴👤✂️ Debenture Redemption Reserve (DRR) Fund of Companies issuing Bonds

- Whenever a company issues bonds/debentures (=long term instruments) → company needs to create a buffer fund from its profits.
- This DRR fund is used later on for paying the principal and interest to the investors.
- This is legally required under the Companies act.
- 2019: Govt exempted some types of companies from keeping DRR to help in ease of doing business.



15.25.2 🪴👤✂️🤑 Consolidated Sinking Fund (CSF) for State Govts' repayment



👤 FAQ by Zhande-walle Babushone: if state government's loan have CSF fund, does union government's loans also have such funds? Ans. I don't know and I didn't check bcoz books/newspaper didn't mention so I did not become James Bond to find that out. because it will be a very inefficient way to prepare for the competitive exams. थोड़ा-पढ़ो-आगे-बढ़ो.

📄 Next Handout: 1C2: Shares / Equities, SENSEX, Mutual Fund, etc.



Pillar#1C2: Shares / SENSEX / Mutual Fund/ etc.

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16 EQUITY INSTRUMENTS (इक्विटी)

⇒ Equity holders are called owners / proprietors of the company.

⇒ If company makes profit → they get dividend. They've last claim during liquidation.

16.11.1 Private equity (PE) funds and Venture Capital Funds

- Private equity is a type of investment fund where wealthy individuals park their money into private unlisted companies.
- Unlisted companies = whose shares are not traded in the stock exchange like BSE/NSE) e.g. Byjus, Parle (1929).
- Venture capital fund (VCF) is a subtype of PE fund - which invests in startup companies.

Keywords	Features
Venture Capital Funds	VCF are professional firms helping startup companies with seed capital. (could be debt / equity / hybrid) (स्टार्टअप कंपनियों को शुरुआती पूंजी दिलवाते हैं)
Angel Investors एंगेल निवेशक	Rich person helping startup companies out of his hobby, passion, profit motive or time pass. e.g Ratan Tata in Urban Ladder app. (could be debt /

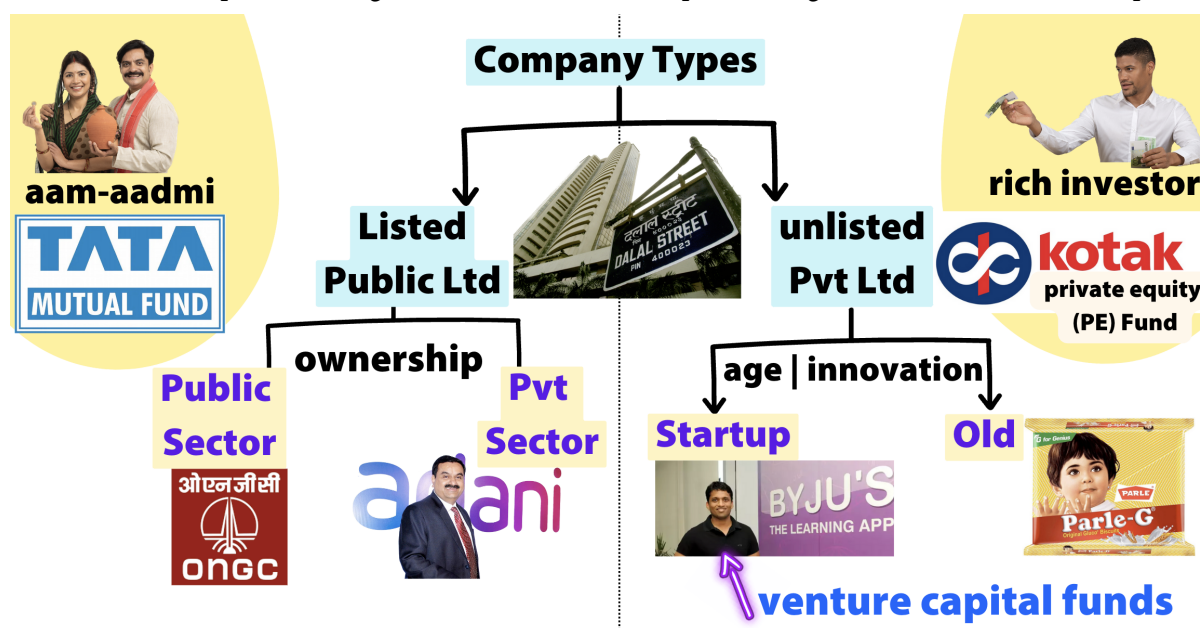


	equity / hybrid). <i>Related topic:</i> Pillar#2: Angel Tax in Budget/blackmoney
Corporate Strategic Investor	Invests in startup company with goal of acquiring the company or its technology at later date. स्टार्टअप कंपनी में निवेश करता है ताकि भविष्य में उसकी टेक्नोलॉजी पर कब्जा कर सके

AB CD ? What does 'Venture Capital' mean? (Asked in UPSC-Pre-2014)

- A. A short-term capital provided to industries
- B. A long-term start-up capital provided to new entrepreneurs
- C. Funds provided to industries at times of incurring losses
- D. Funds provided for replacement and renovation of industries

AB CD ? An individual investor who invests in the e-project usually during an early stage is (UPSC-IES-2020) A) corporate strategic investor B) founder capital C) angel investor D) venture capital



16.11.2 🐼 Share Types: Preference Shares vs ordinary shares

e.g. Jio 10% fixed dividend Preference Share on face value of ₹100. That means person is entitled to a FIXED ₹10 dividend (if company makes profit.)

Parameter	Preference Share अधिमान्य शेयर:	Ordinary Share साधारण शेयर:
Rate of dividend	Dividend payout's rate is fixed e.g. NIRMAL 10%.	Dividend payout's rate fluctuates depending on how much money LEFT AFTER giving dividend to pref.share holders
if company makes ZERO profit, does this investor have a right to get dividend?	No. जब मुनाफा हुआ ही नहीं तो तंबूरे का डिवाइडेंड मिलेगा!!? कुछ नहीं मिलेगा	No.
Rights upon liquidation of the company	they'll get money BEFORE ordinary	they'll get money AFTER pref.shareholders



Parameter	Preference Share अधिमान्य शेयर:	Ordinary Share साधारण शेयर:
	shareholders	
Voting rights	Do not enjoy voting rights.	Yes have voting rights in company decisions.
Convertibility	Preferred stocks can be converted into ordinary shares	Equity stocks cannot be converted.
Issuance	It is not mandatory for company to issue preference shares.	A registered companies must issue equity shares. (More Refer to Pillar1C2: Company Types)
Risk to investor?	lower	higher

💡 NOTE: preference shares have many sub-types e.g. (cumulative vs non cumulative), (redeemable vs non-redeemable) but we will not PHD.

I'm distributing total ₹30 dividend to shareholders



i've right to 10% dividend on share face value of ₹100! so 1st give me ₹10

Preference Shareholders

if any money left after that, then we'll get it!



Ordinary Shareholders

**yes, i can also be a shareholder in my own company.
तो मैं dividend देता भी हूँ, और लेता भी हूँ।**

Voting rights?



16.11.3 🐯 Shares for Employees / VIPs / Special investors : ESOP, Equity Warrents

I'm giving u company shares to REWARD ur loyalty / performance



plz give me your microchips. I'll give u RIGHT (अधिकार) to buy Apple shares at X price on Y date.



ESOP: employee stock ownership plan



Equity warrants / Share warrants





Sweet Equity	Shares sold @discount to directors & employees for their value addition to company [Amount is regulated under Companies Act] 👩‍💻FAQ: How is Sweet Equity similar / different than ESOP/Equity Warrant Ans. NOTIMP. 1 liner GK. थोड़ा-पढ़ो-आगे-बढ़ो.
Sweat Equity कुछ काम नहीं परीक्षा में	- 1)What is this? NOT IMPORTANT. - 2) How different from Sweet Equity? NOT IMPORTANT. 👩‍💻FAQ: I'm a commerce graduate / hot-shot MBA-walla and I've 500 jaat ke Counter arguments. Ans. Good. Plz Keep it with yourself. This course for teaching some basic one liners for MCQ. We are not preparing for your semester exams.

16.11.4 🐼 Share types depending on risk / quality

Penny stocks फालतू कंपनी का	Shares whose market price remain excessively low compared to its face value. Such pathetic companies give zero or little dividend. 👩‍💻FAQ: I'm a commerce graduate / sharemarket ka hot-shot trader and I've 500 jaat ke Counter arguments. Ans. Good. Plz Keep it with yourself.
Blue Chip stocks दमदार कंपनी का	Shares of a nationally recognized, well-established and financially sound company with a history of generating good return for the investor. E.g. Reliance, TCS,
Multi-bagger Share	When company's share price climbs rapidly of time. e.g. IRCTC (2021) from ₹300 to ₹1000 = 233% return on investment (ROI) within January to October 2021
Cyclical / Seasonal Shares	When price of a company's shares depend on the particular business cycle. e.g. automobile shares will generally rise during Navratri till Diwali shopping season.

👩‍💻FAQ: tell me Similarity and difference between Blue chip vs Multibagger? ANS. Notimp.

👩‍💻FAQ: Share vs stock- what is the difference? This academic-pedantry NOTIMP4EXAM.

16.11.5 🏛️📁 Share types: Floating vs Restricted Stocks

Q. are the shares available for buying/selling in secondary market?

Floating Stocks 	Restricted stocks
----------------------------	------------------------------

16.12 🏠 ACCOUNT TYPES

Account	Meaning/subtypes
Personal Account	- 1) Natural person account e.g. Mark Zuckerberg - 2) Artificial legal person's account (=company's account) e.g. Meta (Facebook).
Real Account	- 1) Tangible Real Accounts e.g. buildings, vehicles, machines



	- 2) Intangible Real Accounts e.g. Goodwill, Patent, Copyright, Trademark, etc.
Nominal Account	- 1) Gain/Income account e.g. revenue from goods sold, income earned from investments, - 2) Loss/Expense account e.g. salaries, rent, cost of raw material.

16.12.1 🐾 Goodwill –while buying another company/brand

Item	Price in Million \$ (Not real. Just e.g.)
Company Whitehat's assets (building, machine, software copyrights etc.)	250
Byjus buys Whitehat at price	300
Difference = Goodwill acquired by Byjus =	50

- Goodwill is an 'intangible asset' for the buyer company (Byjus in above example.)
- Goodwill represents Whitehat's reputation, customer base, brand, or other intangible factors- for which Byjus paid 50 million extra, BEYOND the fair-market value of Whitehat's assets.

MCQ. Goodwill Account is a/an _ _ _ (UPSC EPFO-2023)

(a) Personal Account (b) Real Account (c) Nominal Account (d) Expense Account

16.13 🐾 RATIOS / NUMBERS TO COMPARE THE COMPANIES

Note: If I've not covered a particular ratio e.g. Price to Book Ratio (PB) = means I feel it is poor cost benefit for the exam.

16.13.1 🐾 Valuation of companies

Term	Valuation of Listed Company	Valuation of (unlisted) Startup company
Meaning	It is the total value of a listed company's shares.	It is the process of estimating the total value of a Startup company.
Formula	Current share price (X multiply with) total number of shares.	Complex formula involving company's financial performance, its assets and liabilities, and its future growth potential.
Example	See Apple Company in previous section	Byjus @ \$22 Billion (2022-Oct) @\$12 Billion (2023-Aug)

16.13.2 Valuation → Startups → 🦄 Unicorn Startup

Means the startup has valuation of 1 billion U.S. dollars or more. e.g. Unacademy, Byjus, etc.

16.13.3 Valuation → Listed Companies (Small Cap/Mid Cap/Large Cap)

Market capitalisation = {Total number of share multiplied with current price of every share.}

Market cap can change every day, depending on the price movement in sharemarket.

Apple Company	(A) Total No. Of Shares	(B) Price of 1 share	Market Cap = A x B
2023-Jan	15.63 billion units	\$125	\$1.9 trillion
2023-Sept	15.63 billion units	\$171	\$2.6 trillion



In India, shares are classified based on market capitalization as follows:

Type	Small Cap	Mid Cap	Large Cap
Market Capitalisation^{^^} (General understanding)	less than ₹5000 cr (=₹50 billion)	between 5000-20,000 cr (=50-200 billion)	more than 20,000 cr (=₹200 billion)
Market Capitalisation (exact SEBI Rule)	below 250 rank	101–250 rank	top-100 companies based on Market cap
Examples	VIP Suitcase	Castrol	Reliance, Infosys, TCS etc giants
Risk to shareholder	High	Medium	Low
Liquidity of shares (how easy to re-sell & Exit)	Low. Difficult to find buyer	medium	high. Easily u can re-sell to exit.

^{^^} Note: This crores rupee number varies from year to year depending on how much share prices changed. We'll not waste time memorising EXACT number.

16.13.4 Reliance - first Indian company to hit 20 lakh cr Market Cap (2024-Feb)

self-explanatory from the topic heading itself.

16.13.5 🇮🇳 NVIDIA hits market cap \$4 trillion = India's GDP (2025)

Nvidia, known for graphics cards and microprocessor chips, became the first company to reach a market value of \$4 trillion. For comparison, India's GDP = \$4 trillion in 2025 (IMF data).

16.13.6 🍷📈 Market Froth & Asset bubble in Small-cap & Mid-cap (बाजारू झाग और संपत्ति गुब्बारा)

- During market froth, investors begin to ignore fundamentals (e.g. a company's profit-loss balance sheet) and buy its shares rapidly → demand rise → share price increases in a rapid-unsustainable manner.
- This ultimately results in an asset bubble that can lead to a collapse, e.g. Dotcom bubble in the USA (2001) and the Subprime crisis (2007–08).
- 2024: SEBI felt that small-cap and mid-cap companies were experiencing market froth → SEBI issued some technical directives on mutual funds to reduce their investments/exposure in small cap and cap.

16.13.7 🌸 Tulip Mania (किसी निवेश के पीछे सामूहिक पागलपन)

- mid-1600s: Tulip flower was introduced in Holland/Netherlands.
- some people started buying Tulips in high quantity, with the hopes of re-selling it to customers at much higher price. But ultimately this bubble collapsed.
- Today, if price of an asset (share, real-estate, Bitcoin) start climbing unreasonably high → Columnist describe it as 'Tulip Mania'.

16.13.8 📈📉 Volatility / ViX (कीमतों में अस्थिरता)

- If the prices of a share changes rapidly in a short time span → we say it has "high volatility". e.g. Adani after Hindenburg report. Mathematically expressed thru an indicator called "ViX"



16.13.9 🐾 PRICE-TO-EARNINGS (P/E) RATIO AND EPS (EARNINGS PER SHARE)

from Investors' point of view	if high	if low
P/E Ratio = $\frac{\text{Market Price per Share}}{\text{Earnings per Share (EPS)}}$	Expensive/ Overvalued	cheap/ undervalued
EPS = $\frac{\text{Company's Profit}}{\text{Total number of Shares}}$	Strong company	Weak company

Note: real formulas/ real interpretations are more complex. this is for basic understanding for MCQ.

16.13.10 🐾 Leverage Ratio, Debt to Equity Ratio, ROCE, etc

from Investors' point of view	if high	if low
1. Return on Capital Employed (RoCE)	Strong company	Weak company
2. Return On Equity (RoE) (Formula not imp)	Strong company	Weak company
Leverage Ratio = $\frac{\text{Total Debt (loans)}}{\text{Total Equity (share)}}$ also known as "Debt to Equity Ratio"	Weak company	Strong company

Year 2022	Tata Motors	Maruti
Debt:Equity ratio	2 (means Tata borrowed 2x times more money than the amount of share capital it has)	0 (debt-free company)

Note: real formulas/ real interpretations are more complex. this is for basic understanding for MCQ.

16.13.11 🐾 Net Worth = Total Assets – (minus) Total Liabilities

Amount	Mukesh Reliance	Anil Ambani's Reliance Capital Ltd. Company
Total Assets (A)	₹16 Trillion	₹63,000 crore
Total Liabilities (L)	₹ 6 Trillion	₹83,000 crore
NET Worth = A - L	16-6=10 POSITIVE	NEGATIVE 20,000 cr. Case going on in IBC code

👧FAQ: can we say NET-worth represents profit/loss of the company? Ans. It is more refined than that. Because company may be profitable for present year. But IF its liabilities are too big then it may have NEGATIVE net-worth. But we'll not do PHD. थोड़ा-पढ़ो-आगे-बढ़ो.



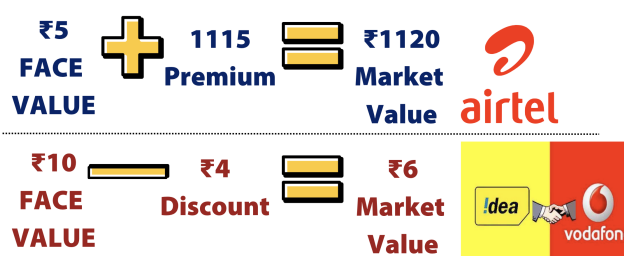
16.13.12 EBITDA, Depreciation, Amortization

EBITDA	It shows Company's Earnings Before loan Interest repayment, Taxes payment, Depreciation, and Amortization. Higher number is better.
Depreciation	Represents wear and tear, repairs, or decrease in the value of physical assets like machinery and buildings. भौतिक संपत्तियों का घिसाव / मूल्यह्रास
Amortisation	Represents decrease in the value of intangible assets like patents and copyrights. अमूर्त संपत्तियों का घिसाव / मूल्यह्रास

16.14 METHODS OF ISSUING SHARES

16.14.1 Share price

- Share have printed price on the certificate called **Face Value or Par Value** (सममूल्य).
- If they're sold at higher price than face value, it's called "trading at a **Premium Value**"
- if sold lower than face value, it's called "trading at a discount".



16.14.2 Sharemarket- company related documents

Guidance	Guidance report contains company's estimate of its future growth. Company releases this report for investors/shareholders/analysts.
Prospectus	it is the document containing all the info about the IPO-wali company.

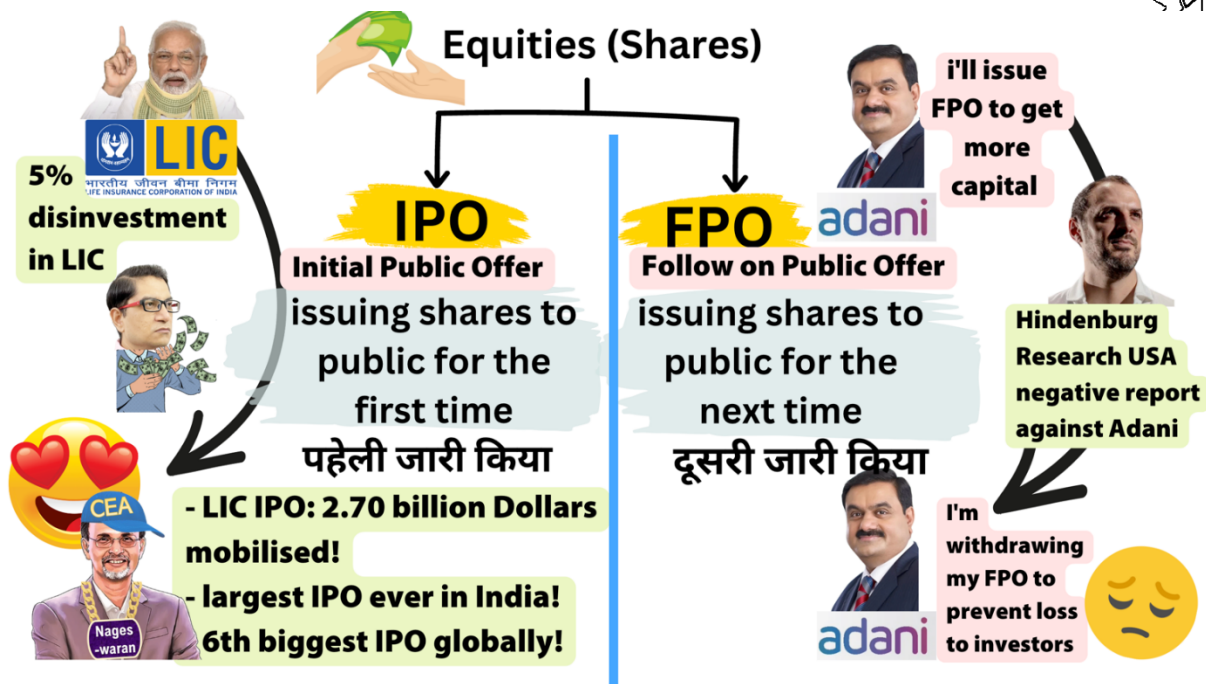
16.14.3 IPO – Initial Public Offer



 FAQ: When FPO is issued, is it primary market or secondary market? Ans. It is ultimately a Petipack/brand new share = primary market. However, this pedantry NOTIMP4EXAM.

16.14.4 Underwriter / Lead managers

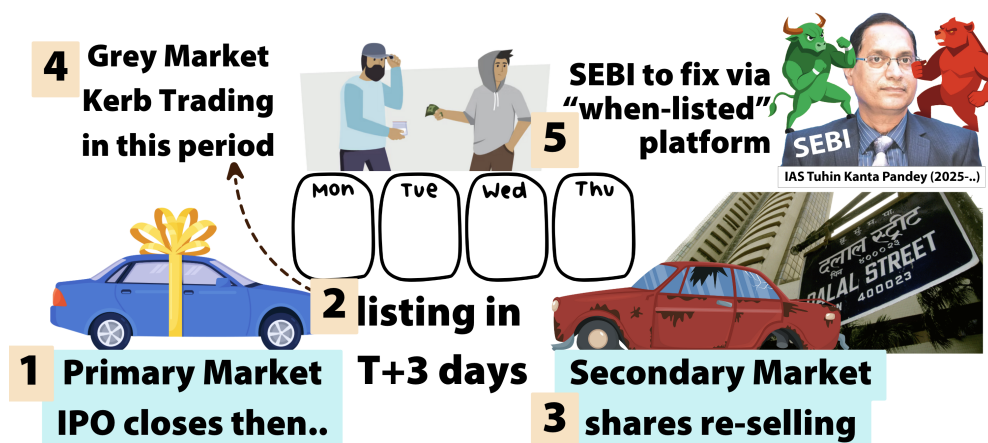
- Underwriter is a merchant banker/investment banker (ref Pillar-1B1)
- He undertakes the responsibility of issuing IPO/FPOs on behalf of the company promoters.
- If IPO not fully subscribed, then underwriter will buy unsold shares.
- Lead Manager = synonym for underwriter. (there is internal difference, but boycott PHD).



16.14.5 Terms: IPO, FPO, QIP

IPO and FPO	Explained in video using above chart.
Rights issue (अधिकार निर्गम):	Company issues additional shares (FPO) but gives first right to existing shareholders to buy them, if they refuse then offered to outsiders.
QIP - Qualified Institutional Placement	When company issues the shares only to qualified institutional buyers (QIBs) e.g. mutual funds, pension funds, insurance companies etc 2025LSBI's ₹25,000 cr QIP became the largest in Indian financial market history, which it plans to use for BASEL recapitalization.
Private Placement	If Zee offers to sell its shares only to Ambani. But not to others retail investors.

16.14.6 🌑👉 GREY MARKET / “kerb trading” & “When-Listed” Platform



- In primary market, when the IPO closes, its gets listed in secondary market/stock-exchange in three working days (T+3).



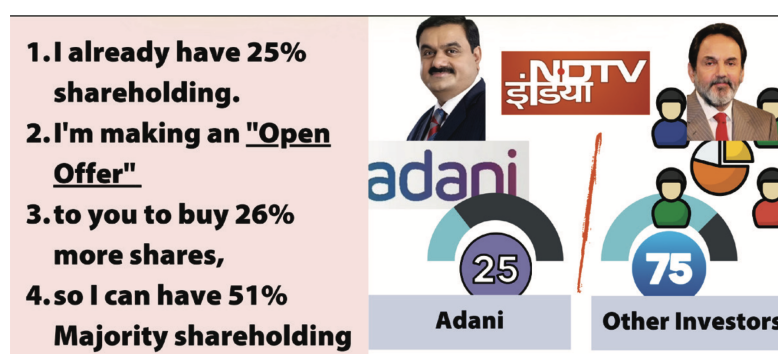
- Grey market / “kerb trading” refers to the unofficial trading of shares even before being listed on stock exchanges.
- Grey market is an unregulated market and works on cash transactions.
- SEBI aims to reduce grey market activity thru a new platform called “when-listed” platform.
- It’ll allow investors to sell the IPO-allotted shares even before they get listed in the secondary market. Further technical details, not important for the scope of our exam.

16.14.7 Share-selling: Offer for sale (OFS) and share pledging



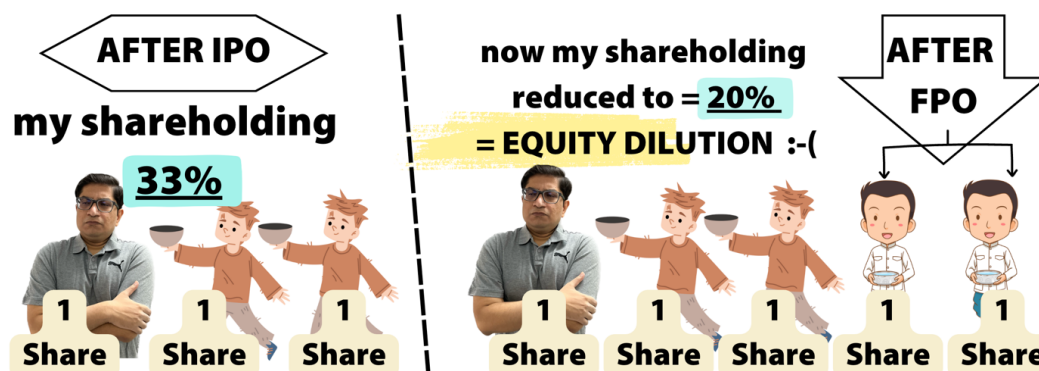
♀FAQ: How is OFS different than IPO/FPO? Ans. Motives are different. IPO/FPO is when owner wants money for the company by selling fresh shares. OFS is when owner wants money for himself by selling his own shares. But this pedantry is NOTIMP.

16.14.8 Share-selling: Open Offer



♀FAQ: now I'm confused between OFS vs Open offer? Ans. Khichdi mtt karo. Their objectives are different. Observe the photos carefully.

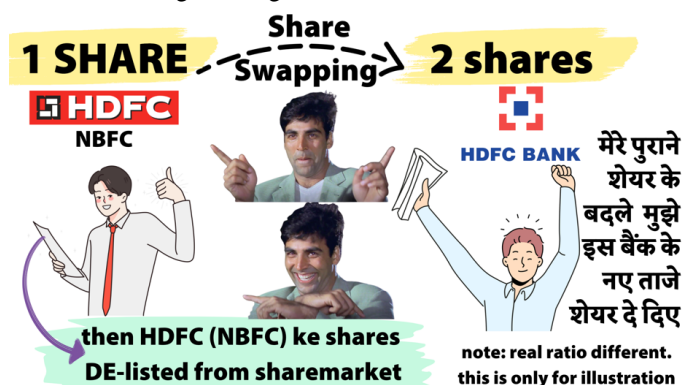
16.14.9 Share Selling: Equity dilution





16.14.10 Share Swapping and De-listing

Terms in news after HDFC (NBFC) got merged into HDFC (Bank), in 2023.



16.14.11 Bonus Shares



	Total Qty	Price	Total Value in ur DEMAT account
Before	1 Share	₹100 x 1 No.	₹ 100.00
After Bonus Share	3 extra Shares	₹100 x 4 No.	₹ 400.00?? NO. this will NOT happen reason given below:

- After bonus shares → total number of shares in DEMAT account will increase.
- But the bonus shares are assumed to be purchased at ₹0 by the shareholder.
- So average price will decrease- in secondary markete.g.

$$\text{Per share price} = \frac{\text{Total price (100+0+0+0)}}{\text{Total shares (4 Nos.)}} = \frac{100}{4} = ₹25$$

share	original	bonus share1	bonus share2	bonus share3	Average Price per share
purchase price of Shareholder	₹100	₹0	₹0	₹0	₹25

16.14.12 Share Splitting

Note: Share splitting depends on marzi/ discretion of company's board of directors. It is not done on 1-1 investor's complaint/request. I have given an example only for illustration.

FAQ: I have 500 doubts in Bonus share vs Share split! Ans. Remember them as single photo-frame without doing compare-contrast. IF you've time to waste then do [self-PHD from this article](#).



1) plz buy my share. i want to exit from TCS

2) sorry dude! can't buy we have only ₹1500 each

3) i've an asset but it is not liquid. @Tata-ji plz help

existing investor

thanks! Now i can sell this easily!

share split 1:2

TCS TATA CONSULTANCY SERVICES

TCS ₹3000

TCS ₹1500

TCS ₹1500

16.14.13 Share buyback by the Company

we'll buyback ₹18,000 cr ke TCS shares @ ₹4500 each. Not compulsory for u to sell. Aapki Marzi hai.

ok. waise bhi, I wanted to exit. so, plz take my share & pay me.

existing investor

Share buyback

TCS TATA CONSULTANCY SERVICES

Total Share liabilities of TCS	BEFORE	AFTER Share buyback
Amount	₹ 12 lakh crores	12,00,000 - 18,000 = ₹11.82 lakh cr

मुझे Ph.D कराओ

buy why would TCS Do it?

Ans. req. 10 min. explanation + half page extra in handout. + 3 times revision = 40 minute investment. So skipping 4 poor cost:benefit

16.14.14 IPO → Special Purpose Acquisition Company (SPAC)

Byjus wanted to create this special type of company for launching its IPO but Byjus ke khud ke vaandhe ho gaye so newspapers no longer writing about it = faded topic. Removing from handout.

16.14.15 ADR/GDR: DESHI Shares in Videshi (Foreign) soil

- A non-American company wants to mobilize money from American share market but does not want to go through the lengthy & complex process of registration with the American sharemarket regulator. (बिना अमरीकी SEBI मे पंजीकरण किए, उनके शेयरबाजार से पैसा उठाऊँ, तो कैसे?)
- Then such non-American company gives its shares to an American bank.



- Based on those (non-American) shares, the American bank will issue American Depositary Receipts (ADR: अमरीकी निपेक्षागार रसीद) & sell them to American investors. **Denomination:** USD.
- **Global Depositary Receipt (GDR):** Same as above, but when single bank issues receipts for investors in multiple countries. **Denomination:** usually USD or Euro.



Share issuing company →	Deposits his company's shares in a bank of →	That bank issues -- in local market in – currency
Non-American company →	American Bank →	Issues ADR (in \$) in American Sharemarket
Non-Indian company →	Indian Bank →	Issues Bharat / Indian depositary receipt (IDR) (in ₹) in Indian Sharemarket

16.14.16



Direct listing of Indian Companies in foreign stock exchanges (2023)

Direct Listing		BEFORE	AFTER 2023 reform
American Stock Exchange	INDIAN COMPANY	shares not allowed by Indian Govt	 Allowed
	ADR Indirect listing via ADR American Bank INDIAN COMPANY	shares Allowed	 Allowed

Note: This topic is still developing. It is allowed via Gift-City (Gujarat). (Ref: Pillar#3A)



16.14.17 Initial Coin Offering (ICO)



Figure 1: Cryptocurrency में पागल हुई पब्लिक को फिरसे बेवकूफ बनाऊ, तो कैसे?

- ⇒ Company wants investors' money for launching new cryptocurrency, or service/app related to an existing cryptocurrency.
- ⇒ Then, it'll issue Initial Coin Offering (ICO) → Investor subscribes to it, and receives 'tokens' (and not SHARES). Investors can use the 'tokens' to buy companies coins/services or may sell it to a third party.
- ⇒ RBI has cautioned Indians not to invest in such instruments, because of the dangers which we already learned in the Handout Pillar#1A-1: Bitcoins.

16.15 STOCK EXCHANGES / SECONDARY MARKET: MEANING & EXAMPLES



Shares are issued through IPO @Primary market. Then, they can be resold at secondary market, commonly known as *Share market* or *Stock Exchange* or *Bourses*.

- ⇒ **World's Oldest:** Amsterdam Stock exchange, Netherlands (1602)
- ⇒ **Asia's Oldest:** Bombay Stock Exchange (BSE: 1875)
- ⇒ India's stock exchanges chronology: BSE → A'bad → Kolkata → NSE (early 90s)
- ⇒ Just like Banks have Core Banking Solutions for e-banking, Stock exchanges have their electronic platforms for trading. E.g. **BOLT** (BSE's On-line Trading System), **NEAT** (National Exchange for Automated Trading). They communicate using **VSAT** (Very Small Aperture Terminal) Satellite.
- ⇒ Stock exchanges can have separate platform/website for trading in Debt (Bonds etc) and trading in equities (shares).

MCQ. Consider the following statements: (Pre'24-Set-C-Q52)

1. In India, NBFCs can access the Liquidity Adjustment Facility (LAF) window of RBI.
2. In India, Foreign Institutional Investors can hold the G-Secs.
3. In India, Stock Exchanges can offer separate trading platforms for debts.

Codes: (a) 1 and 2 only (b) 3 only (c) 1, 2 and 3 (d) 2 and 3 only

16.15.1 Social Stock Exchange

- ⇒ It is a market for buying/selling shares/bonds/mutual fund for projects/organizations related to hunger/malnutrition, poverty, gender equality, LGBT welfare, rural sports, Slum Area Development, affordable housing. Etc.
- ⇒ **Budget-2019:** we'll set up a **Social Stock Exchange** under SEBI's regulation. It'll help social enterprises and voluntary organizations to raise capital as share/bond/mutual funds for



eradicating hunger, malnutrition, poverty, gender equality, LGBTQIA+ communities, rural sports, slum area development, affordable housing

- ⇒ Then SEBI setup **Ishaat Hussain panel** to study it. Then SEBI setup **Harsh Bhanwala panel** to study is further. They've given recommendations but NOTIMP
- ⇒ ES24: so far 51 non- profit organisations (NPOs) and non-government organisations (NGOs) raise funds from the public through the stock exchange mechanism worth ₹12 crores. for social projects in education, livelihood generation, skill development, etc.
- ⇒ To be listed on SSE, NGOs/NPOs must disclose their past and present audit reports, must have minimum 3 years experience etc.

16.15.2 Social Stock Exchange: zero-coupon, zero-principal instrument

- ⇒ Refer to “debt instrument” section of the handout.

16.15.3 Secondary Market: Significance? (द्वितीयक बाजार का महत्व)

- ⇒ Cost of Transactions . You don't have to search around for buyers/sellers manually. सब लोग एक जगह पे मिल जाते हैं। एक दूसरे को ढूँढने में रिक्शा का खर्चा/लागत बच जाता है।
- ⇒ Providing Liquidity to Financial Assets. तरलता बढ़ती है क्योंकि खरीदार मिल जाता है।
- ⇒ Facilitating Price Discovery of shares / bonds. औकात पता चल जाती है कंपनी की।
- ⇒ Investor sells securities in secondary market → ₹₹ could be re-invested to a new company's IPO in primary market → Contributes to Economic Growth. (पुरानी घटिया कंपनी में से निवेश की रकम निकाल कर नई और बहतर कंपनी में निवेश हो सकता है)

16.15.4 DEMAT Account and Depositories



Figure 3: कागजी शेयर्स को चोरी/आग से बचाऊँ, तो कैसे?

- ⇒ If shares and bonds are traded in paper-form, then transactions are slow & prone to the risk of theft, forgery and fire. कागजी स्वरूप में शेयर रखे जाएँ तो चोरी होने का जालसाजी का आग लगने का डर
- ⇒ Depository is an organization that holds the securities (like shares/bonds etc.) in electronic (=DEMATERIALIZED) form. Then facilitates its trading online.
- ⇒ Upon client's request, Depository can 'rematerialize' it as well (i.e. giving physical/hard copy of share/bond etc) to client.
- ⇒ Customer must open a “Demat” account in a depository-partner (DP). DP can be Bank/NBFC.
- ⇒ SEBI regulates them under the Depositories Act 1996. Notable examples:
 - Central Depository services Limited (CDSL: owned by BSE, HDFC, Canara Bank etc.)
 - National Securities Depository Limited (NSDL: owned by SBI, IDBI, UTI, NSE etc.)
 NSDL also has RBI license to operate Payment Bank



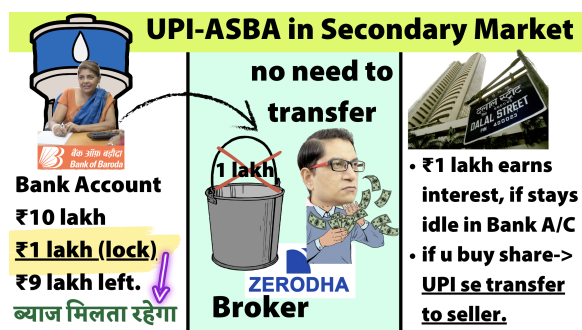
2024-March: India has 9.2 crore registered investors. Nearly 20% Indian households now channelling their household savings into financial markets” - said Economic Survey 2024.

16.15.5 🛒 (🖥️:👤👛) DEMAT → ASBA Reforms in IPO/Primary Market



- ⇒ Scamster Rupal Panchal (2005) opened multiple fake DEMAT accounts to increase the chances of getting share allocations in IPO.
- ⇒ Then she'd sell such shares in stock-exchange for higher prices.
- ⇒ Subsequently, SEBI made PAN Card (issued by Income Tax Dept) compulsory for opening DEMAT Accounts. SEBI also introduced ASBA (Application Supported by Blocked Amount)- it allows the underwriter to block the amount in IPO-investor-applicant's bank account, but only IF shares allotted to the applicant, his bank money will be deducted. ASBA-Benefits:
 - only serious investors with sufficient bank balance can apply.
 - investor continues to earn bank interest on his blocked amount until the process of IPO-share allotment is over.

16.15.6 UPI-ASBA in Secondary Market Reform by SEBI (2024-Jan)



What does above chart mean? Ans. watch lecture video.

16.15.7 📱 SEBI mandates dedicated UPI-id for intermediaries

When investor have to transfer money to stock market intermediaries such as brokers, mutual funds managers etc.

before	after
normal UPI id e.g. 98259####@sbi so scamsters could send fake-id, difficult to verify for investor.	exclusive and verified United Payments Interface (UPI) e.g. Sherkhan.broker@validHDFC . Investors can check validity of such id on 'SEBI Check app'

16.15.7.1 📄 ISIN Number

- ⇒ International Securities Identification Number (ISIN) is a Unique 12 characters, consisting of both letters and numbers. प्रतिभूतियों का अंतरराष्ट्रीय पहचान संख्यांक
- ⇒ It's a serial code to identify securities e.g. Reliance Industries Limited Shares ISIN: INE002A01018; Infosys Shares: INE009A01021.



16.15.8 📧 CAS system (=monthly statement of transactions)

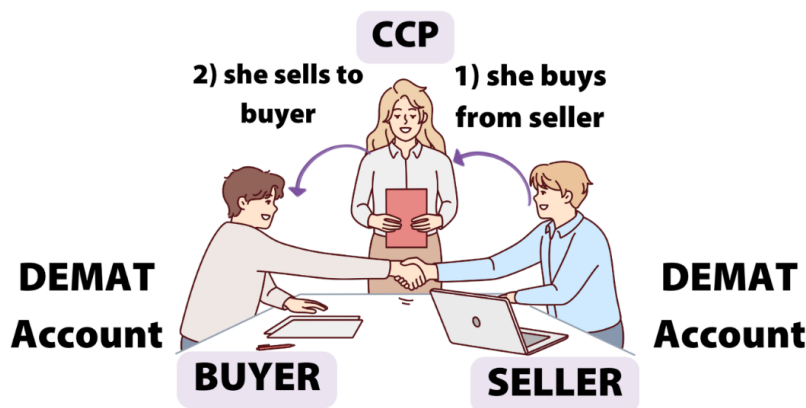
- A Consolidated Account Statement (CAS)= document showing investor's monthly transactions across all mutual funds/shares/bonds etc. held in in dematerialised (demat) mode.
- CAS is emailed to the investors by the depositories (NSDL or CDSL)
- CAS helps investor to (1) get alerted about any fraudulent transactions without his knowledge (2) total value of his investment.

16.16 🤝 CENTRAL COUNTERPARTIES (CCPs), NOVATION & ESMA CONTROVERSY

Problem



Solution



- CENTRAL COUNTERPARTIES (CCPs) act as intermediary between the buyers and sellers in financial market. E.g. G-Sec, T-bill, shares, bonds, derivatives, forex, commodities
- They act as a central counter-party to every trade i.e. CCP becomes seller to the buyer, and simultaneously CCP becomes buyer to the seller. This process is called “novation”. (HOW? Ans. Observe the chart carefully.)
- so, if one of the party does not honour the agreement → CCP will take care of it. Thus, CCP prevents system failure.
- 🤔 Controversy? Indian CCPs also deal with international financial trades e.g. in Europe. But, European Securities and Markets Authority (ESMA) is planning to cancel their license/ registration/ entry. What exactly is the matter? NOTIMP4Exam. Enough to know in 1 line ke Indian CCPs facing some problem in Europe.

16.16.1 🤝 CCP Examples in India

The Clearing Corporation of India (CCIL), Indian Clearing Corporation Ltd (ICCL), NSE Clearing Ltd (NSCCL), Multi Commodity Exchange Clearing (MCXCCL), India International Clearing Corporation (IFSC) and NSE IFSC Clearing Corporation Ltd (NICCL).

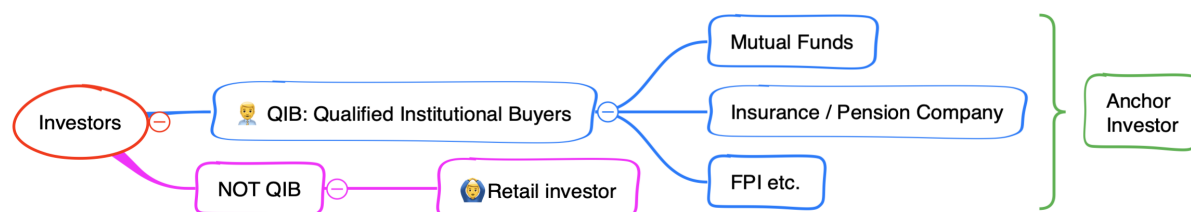


16.16.2 🐘🐘 CCP Regulation in India: Who regulates CCP in India?

Matter	Regulator
Money transfer between buyer and seller	RBI using powers of Payment and Settlement Systems Act, 2007
Foreign currency transactions	RBI using powers of Foreign Exchange Management Act, 1999
Shares, Bonds, Commodities	SEBI using powers of SEBI Act, 1992 and Securities Contract (Regulation) Act, 1956 (SCRA)

16.17 🧑🏠🛒 INVESTORS KE TYPES

16.17.1 Types of Investors: Depending on Buying Capacity



1. 🧑🏠🛒 **Qualified Institutional Buyers (QIB)** (अर्हता प्राप्त संस्थागत निवेशक): Investors with expertise and financial muscle to make large investments in capital markets. E.g. Mutual Funds, Insurance Company, Foreign Venture Capital Funds etc. SEBI has separate registration norms for them.
 - a. **Anchor investors:** They're sub-type of QIBs who are offered shares before IPO-launch. This gives confidence to other investors to subscribe the given IPO.
2. 🧑🏠🛒 **Retail investor:** An individual investor who is not a QIB. (आम/खुदरा निवेशक)
Underwriter will keep quota for each category of investors, as per SEBI norms.

16.17.2 🧑🏠🛒 Types of Investors: Depending on Buying Behaviour



1. **Jobbers (आढ़ती):** Full time engaged in buying / selling securities using money from their own pockets. (Whereas brokers / commission agents buy/sell using money/shares of their clients).
2. **STAG (Male Deer):** He buys newly issued securities **from primary market** & sells them in secondary market for quick profit. प्राथमिक बाजार से खरीद के द्वितीयक बाजार में मोटे मुनाफे पर बेचने की इच्छा रखता
3. 🐂 **Bull (तेजड़िया):** Optimistic speculator who hopes share prices will rise 📈, so purchases (to sell them later at much higher price). Just like a bull tends to throw his victim up in the air, the bull speculator stimulates the price to rise.
4. 🐻 **Bear (मंदड़िया) –** A pessimistic speculator who fears prices will fall 📉 so, he sells. A bear usually presses its victim down to ground. Similarly, bear speculator tends to force down the prices of securities.



ABCD ? MCQ. In the parlance of financial investment, 'Bear' denotes [UPSC-CDS-2012]

- (a) an investor, who feels that the price of a particular security is going to fall.
- (b) an investor, who expects the price of a particular share to rise.
- (c) a shareholder, who has an interest in a company, financially or otherwise.
- (d) any lender, whether by making a loan or buying a bond.

16.17.3 🤑 **Disposition effect:** मुनाफ़ा तुरंत लेके भागूंगा, लेकिन नुक़सान सहके बैठा रहूंगा।

- if investor is in profit, he will sell immediately, but if he is in loss, then he will continue to hold for a long time, even if it results into more losses. Observe table
- SEBI used this term to describe the behavior of Indian investors in IPO.

	PAYTM	Zomato
Primary Market (IPO)	₹ 2150.00	₹ 76.00
Secondary Market Listing price (2021)	₹1950 (-9% loss)  we'll not exit. we'll wait for miracle	₹116 (=52% profit)  i'll book profit & immediately exit. I'll not wait
Current Price (2024)	₹620 (-71% Loss)  wish we had exited sooner	₹ 260 (=242% Profit)  wish i had waited!

16.17.4 Style of Trading / Investing based on duration and risk

Margin Trading	when a person is buying more shares, than he can afford to. usually done by borrowing money from the broker. Risky because if the investment fails then person will get into huge debt.
Day trading / Intra-day trading	Individuals buy and sell shares over the Internet over a period of a single day's trading, with the speculative intention of profiting from small price fluctuations.
Swing Trader	He's buying a share for just few days or weeks then sells it for profit.
Long term investor	He's buying for himself and he holds the share for more than 1 year.
Block Deal	When large value order placed e.g. ₹5cr or more. This is usually done by institutional investors such as Mutual Fund, Insurance companies etc.
Contra Trading / investing	- investor will do opposite of what everyone else is going. - e.g. in Corona-lockdown, if everyone is buying Pharma shares and ignoring PVR-cinema shares → then contra trader will begin investing in PVR-cinema shares (with the hope that after Corona unlock down → cinema industry will boom and contra-investor will make great profit)

Further subtypes with various animal / bird names can be found on Investopedia but with poor cost :

benefit in exam. #🕒 थोड़ा-पढ़ो-आगे-बढ़ो



16.17.5 Trader Types: Retail vs Proprietary Traders

	Retail	Mutual Fund	Proprietary Traders
Objective	Profit	Commission	Profit
Capital	Self	Clients'	Self
e.g.	if you're doing it in solo-mode with small amount of money.	Tata-MF, Birla-MF	Jaypee Capital, Edelweiss Capital = registered as company, and doing it in systematic manner with large employees & large amt of money.

16.18 SENSEX & OTHER NOTABLE INDICES (उल्लेखनीय संकेतक/ सूचकांक)

- ⇒ **SENSEX?**: Sensitive Index/ संवेदी सूचकांक. It's the weighted average of Free Float Market Capitalization (FFMC) of 30 companies, selected by Bombay Stock Exchange (BSE)'s officials
- ⇒ **NIFTY?** National Stock Exchange (NSE)'s index of 50 companies.
- ⇒ **Nikkei?** Tokyo Stock Exchange index of 225 companies.

MCQ. Which of the following statements is/ are correct? [UPSC-CDS-2012-I]

1. NIFTY is based upon 50 firms in India.
2. NIFTY is governed and regulated by the Reserve Bank of India.
3. NIFTY is the stock index of Bombay Stock Exchange.

Answer Codes: (a) Only 1 (b) Only 2 (c) Only 3 (d) 1 and 3

16.18.1 SENSEX Goes up and down when?

SENSEX – when does it go up	Goes down when
RBI's soft /easy monetary policy → cheap loan & credit cards → consumers to spend more → more profit to company → more dividend : investor thinks “better I buy more shares to get more dividend”: Bullish	Tight monetary policy (More in Pillar#1A2) संकुचन वादी मौद्रिक नीति के दौरान सेंसेक्स नीचे गिरगा
Peace, Economic boom / prosperity, Political Stability (शांति, आर्थिक समृद्धि, राजनीतिक स्थिरता)	War, recession, political instability → Bearish market. (युद्ध, मंदी, राजनीतिक अस्थिरता)
IF govt. raises foreign direct investment limit	When govt reduces FDI limit
Merger-Acquisition, New product launched, Environmental clearance given to factory	CEO/MD arrest/FIR, Courts slapping fine, media exposing scandal... (कोई कांड हो जाए)

16.18.2 Force Majeure (अभेद्य शक्ति)



Figure 2: Corona के चलते बिजनेस प्रोजेक्ट पूरा नहीं किया, तो क्या जेल में भेज दोगे, या फांसी पे लटका दोगे? कुछ नहीं उखाड़ सकते मेरा!

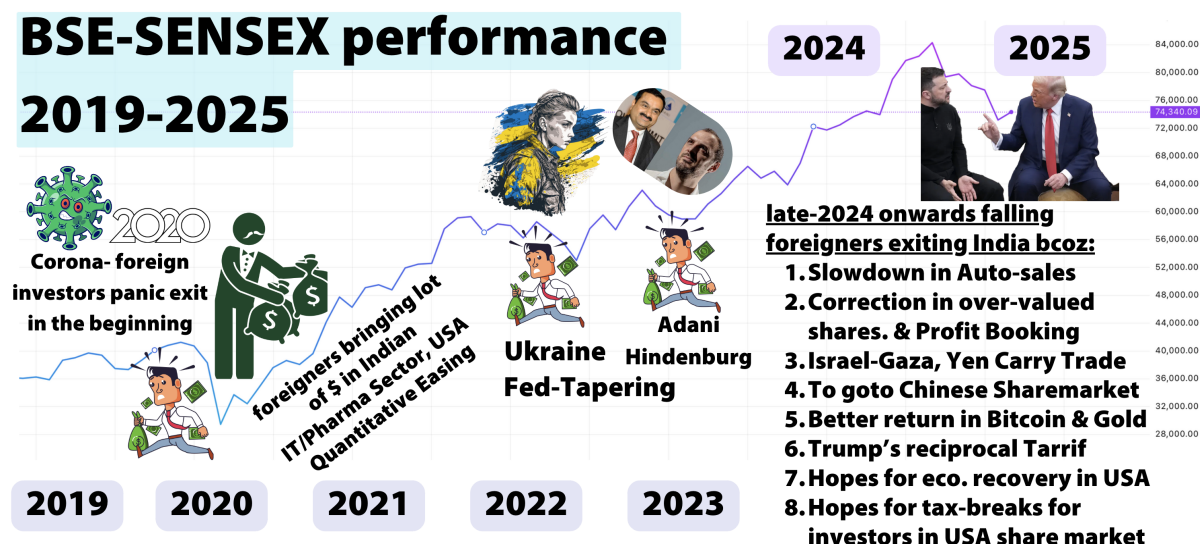
- ⇒ **French word** for 'superior force'. It refers to unexpected external circumstances (अप्रत्याशित बाहरी परिस्थितियाँ) that prevent a party to a contract from meeting their obligations. e.g. *Acts of God* (natural disasters, epidemics), war, terror attacks.



- ⇒ In such cases, courts may not punish party for dishonoring contract. (करारनामे के दायत्व को न निभाना)
- ⇒ E.g. Corona (COVID-19) Virus → Singapore Govt put restrictions on entry of Chinese → Singapore construction firms facing labour crunch (श्रमिकों की कमी) → invoked 'Force Majeure' to clients, "we can't finish building your homes/offices in time." Coronavirus: >55million people infected across the world (as of 2020-Oct).

16.19 🐻📈🐻 SHAREMARKET: 2020-2024

BSE-SENSEX performance 2019-2025



16.19.1 🐻📈🐻 India becomes 4th-largest equity (Share) market (2024-Jan)

- 2024-Jan: Ranking of Combined value of shares listed on a country's stock exchanges: 1) U.S., 2) China, 3) Japan, 4) India (\$4.33 trillion) 5) HongKong (\$4.29 trillion)
- Reason for India climbing to 4th place? 1) Chinese regulators getting strict, so foreign investors shifting money out of China towards Indian Sharemarket. 2) Stable political environment in India 3) Strong GDP growth.

16.19.2 🐻📈🐻 FPI exit is not damaging that much -says ES25:

Foreign portfolio investment (FPI) = upto 10% foreign shareholding in an Indian company.

Year	FPI exit from India,	impact on NIFTY index
2020-Mar	pulled out \$8 billion	23% fall
2024-Oct	pulled out \$11 billion	6.2% fall^^

- ^^ Because, even when foreigner exits, their shares are confidently purchased by Indian investors and Indian mutual funds.
- So Indian stock market is more resilient to external shocks compared to the past.

16.19.3 🐻📈🐻 Another crisis in US Sharemarket coming - ES25?

- American Company share prices have increased by 20% each in 2023 and 2024.
- But consumer income levels have not increased greatly. So concerns over how Apple Tesla and other companies will improve sales in future?
- Data centres, music companies and solar panel manufacturers have issued complex investment products in USA. It could result in another Subprime Crisis of 2007.



16.19.4 🦁🦋 Relation between Indian and American share market as per ES25:

- in last 10 years, Indian sharemarket gave avg. 8.8% return. - But 2024 April-Dec only 4.6%
- Whereas USA NASDAQ giving more 20% return each in 2023 and 2024.

Pattern	finding (2000–24)
If US market falls, then Indian market falls?	yes. 21 out of 22 times this happened.
If Indian market falls, then US market falls?	No. In fact, 13 out of 51 times, when Indian market fell, US market has gone up. (because the foreign investors would have moved money from India to USA)

- Granger causality is a statistical tool to find if one variable can predict another variable based on its past values.
- ES25 used this statistical tool to find relation between S&P 500 (american share market index) and Nifty 50 (american share market index)
- Finding? Indian markets tend to react more to US trends. Reverse case not very true. (Bcoz American investment in Indian market is higher than Indian investment in American market. इसलिए उनके भागने से हमें फर्क पड़ता है। हमारे भागने से उन्हें खास फ़रक नहीं पड़ता।)
- Many young Indian investors who entered the market after Corona have never seen a significant market correction. If the US share market falls in 2025, it will severely affect these young Indian investors' sentiments and spending behavior.

16.20 🦋 MARKET THEORIES

16.21 🦋 Efficient Market Hypothesis /theory (EMH)

- financial markets are efficient in processing information and pricing securities. So one investor CANNOT always KEEP earning more profits than the average trend in market.
- Gist: शेयर बाजार में जो होना है, वह होकर रहना है. तुम कम्पनी का चार्ट/बेलेंस-शीट पढ़कर तंबूरा कुछ नहीं उखाड़ सकते। भले आपका एक दाव सही लग जाए, लेकिन दो-तीन गलत भी लग जाएंगे तो. फिर नफा मोटा नहीं सामान्य (एवरेज) ही हो जाएगा.
- However, some experts disagree with it. We'll not debate. थोड़ा-पढ़ो-आगे-बढ़ो.

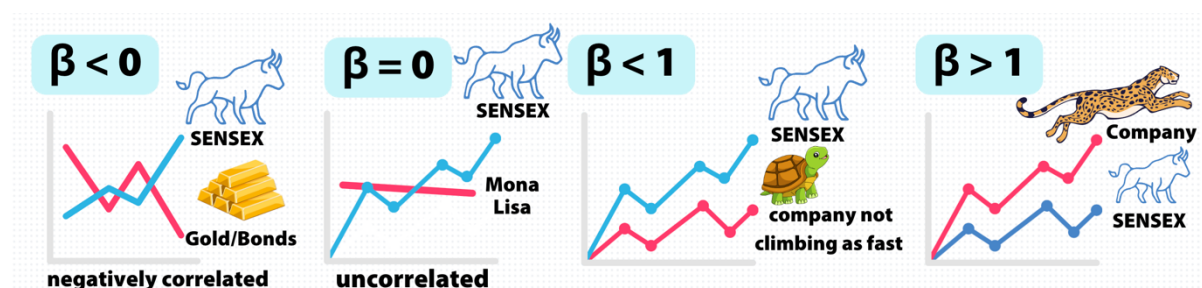
16.21.1 🦋 Random walk theory

- Share prices move unpredictably.
- Therefore, company's past shares prices/charts shouldn't be used to predict future prices.
- So, it is impossible to beat/defeat the share-market.

16.22 🦋 ALPHA AND BETA VALUES

16.22.1 🦋 Beta Value to monitor price volatility or risk of an asset

Indicator to monitor price-volatility/risk of an asset.



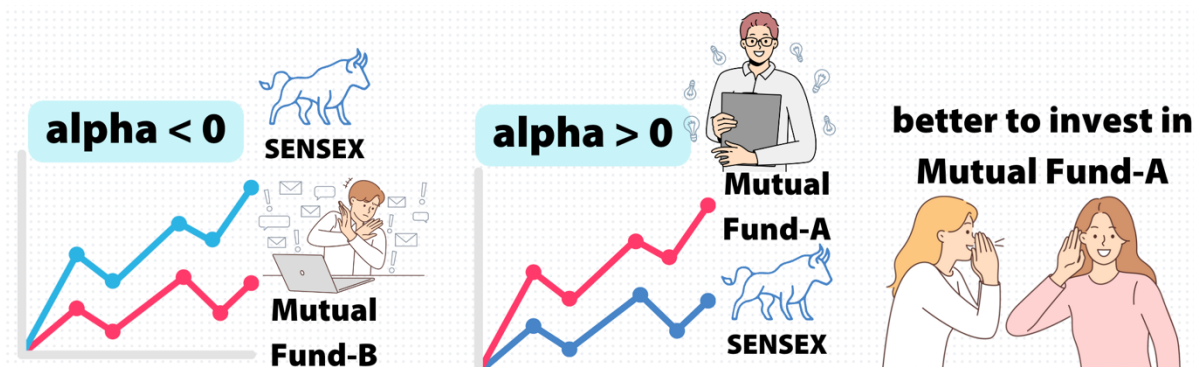


Value	Meaning
$\beta > 1$	This company's share moves faster than sharemarket in both directions. High Reward: if SENSEX moves upward at 1x speed, this company will move at may be 1.5x speed. High Risk: If SENSEX falling at 1x speed, this company will fall at 1.5x speed. Usually Tech/Startup/small-cap companies show this behaviour.
$\beta < 1$	This company moves slower than SENSEX. Low risk, Low return.
$\beta = 1$	This company's share moves parallel to SENSEX.
$\beta = 0$	uncorrelated to the market. Mona-Lisa Painting: its value changes independently of SENSEX movement.
β less than 0	negatively correlated to the market. This asset moves in the opposite direction of the SENSEX. e.g. Bond/Gold. If SENSEX goes up, people will shift money from gold/bonds to shares so gold/bond will fall. (However, this is not always true in real life.)

MCQ. In the context of finance, the term 'beta' refers to __ (Prelims 23-SET-A-Q073]

- (a) the process of simultaneous buying and selling of an asset from different platforms
- (b) an investment strategy of a portfolio manager to balance risk versus reward
- (c) a type of systemic risk that arises where perfect hedging is not possible
- (d) a numeric value that measures the fluctuations of a stock to changes in the overall stock market

16.22.2 Alpha value to compare performance of Mutual Funds



This indicator used mainly to compare a Mutual Fund / Hedge Fund manager's performance against a benchmark e.g. SENSEX

Value	Meaning
Alpha > 0	This MF gives better profit than SENSEX.e.g. if HDFC-MF has 2% Alpha. Means when SENSEX claimed 10%, then HDFC-MF gave 12% return.
Alpha = 0	This MF performing same as SENSEX
Alpha < 0	This MF gives less return than SENSEX



16.22.3 📌 FAQ: Alpha vs Beta similarity / correlation / difference

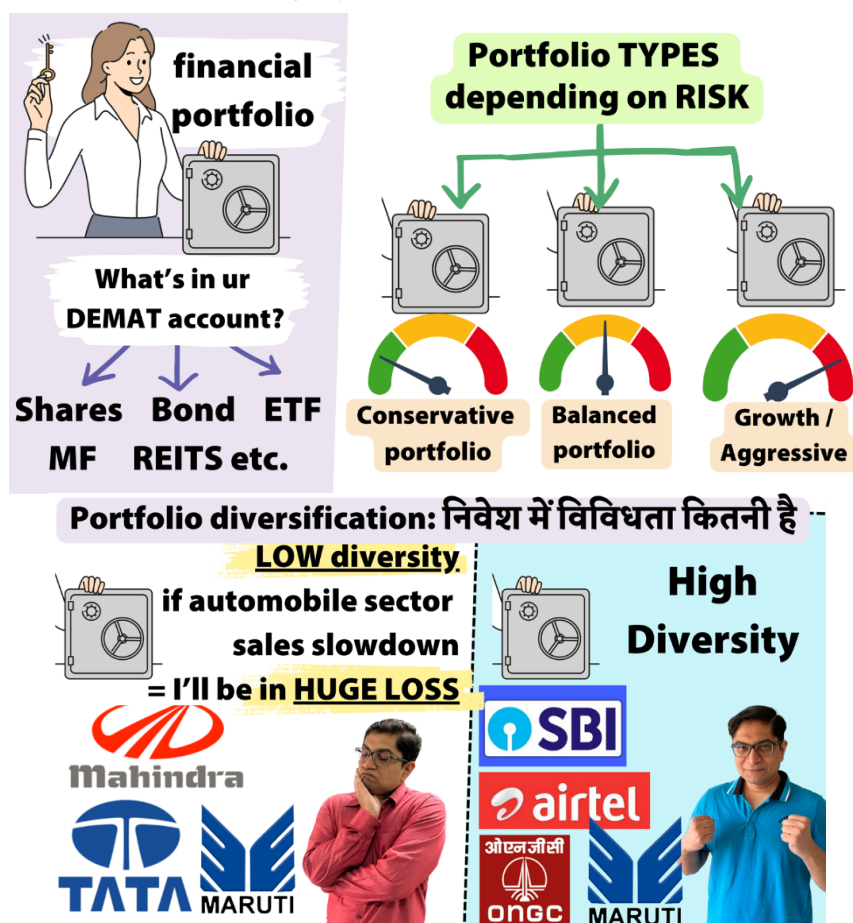
Term	Alpha	Beta
Usage	Mainly to compare performance of Mutual Funds.	Mainly to find volatility/risk of a share.

Beyond that we'll NOT PHD. UPSC is only asking one liner from here. We'll not spend more time.

16.22.4 📌 Types of Analysis – fundamental vs Technical

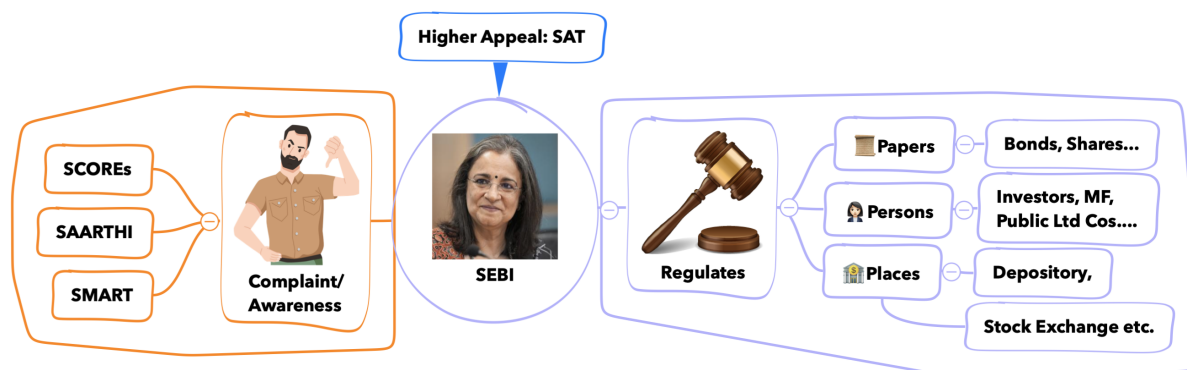
	Fundamental Analysis	Technical Analysis
Investor studies what?	Company's profit, loss, balance sheet, new products-launch etc.	Share price related charts-graphs & mathematical-indicators e.g. Simple-moving-average of the share price for last 200 days (200-day SMA). More examples of indicators (list NOTIMP): Relative Strength Index (RSI), Stochastic Oscillator, Moving average convergence divergence (MACD) etc.
Suitable for	Long term Investor (longer than 1 year)	Intraday Trader (buy/sell within a single day) Swing Trader (buy/sell for few days or weeks)

16.22.5 📌 DEMAT Portfolio: Meaning, Types, Portfolio Diversification





16.23 📁👤 SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)



- ⇒ HQ- Mumbai भारतीय प्रतिभूति और विनियम बोर्ड,
- ⇒ (1988) Formed by an executive order → (1992) Became Statutory Body → powers increased through amendments in 1999 & 2014. Now it can order search and seizure, attachment of properties, arrest and detention. (खोज अभिग्रहण, संपत्तियों की जब्ती/कुर्की, गिरफ्तारी और निरोध)
- ⇒ **SEBI Board Composition:** Chairman + 1 officer from RBI + 2 officers from Union Government + 5 members appointed by Union Government.
- ⇒ **Chairman:** upto 5 years / 65 age. Reappointment possible.
- ⇒ SEBI Chief Selection was done by Financial Sector Regulatory Appointments Search Committee (FSRASC) headed by the Cabinet Secretary (IAS).
- ⇒ Regulates **Process** of issuing securities (Bonds, Shares, IPO, ETF, ReIT, INVITs, etc.) using the Securities Contracts Regulation Act, 1956 [SCRA: प्रतिभूति संचिदा विनियमन]
- ⇒ Regulates **Places** (Depositories, Stock exchanges, Commodity Exchanges etc.)
- ⇒ Regulates **Persons** (Investors, Brokers, Fund Managers, Public Limited companies etc.)
- ⇒ Regulates any Collective Investment Scheme (CIS) of ₹100 cr/> [In the aftermath of SAHARA scam & Chit Fund scams. सामूहिक निवेश योजनाएँ]
- ⇒ **Further appeal:** Securities Appellate Tribunal (SAT) → Supreme Court.
 - Same SAT also hears appeals against the orders passed by Insurance Regulatory Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority (PFRDA). (More in 📄 Pillar#1D)
- ⇒ SEBI has “SCORES” online **portal** for investor-**complaint**. 2024- version 2.0 launched to give justice within 21 days of complaint.
- ⇒ SEBI has **Securities Market Trainers (SMARTs)** Program for investor education (निवेशक प्रशिक्षण)
- ⇒ **Saarthi** app: Sebi’s app for investor awareness. (निवेशकों में जागृति के लिए सेबी का नया एप)

16.24 👤 SEBI’s New Chief IAS Tuhin Kanta Pandey

Sr.	Name, Qualification	Tenure
10th	Madhabi Puri Buch, IIM, ICICI-Banker	2022–25
11th	Tuhin Kanta Pandey, IAS	2025 se 3 yrs

16.24.1 📁⚖️📁 Securities Market Code

- ⇒ 📁 Budget-2021: we’ll create a single new law named "Securities Markets Code" by merging older



acts 1) SEBI Act, 1992, 2) Depositories Act, 1996, 3) Securities Contracts (Regulation) Act, 1956
4) Government Securities Act, 2007. (पुराने विभिन्न कानूनों का एकीकरण विलीनीकरण करके "प्रतिभूति बाजार संहिता" नामक नया कानून बनेगा)

⇒ Benefits? Same as the bullet points written in conclusion of "SEBI Investor Charter."

16.25 📁💪 SEBI INVESTOR CHARTER (निवेशक अधिकार पत्र)

⇒ (Definition) A citizens' charter (नागरिक अधिकारपत्र) is a document of commitments made by a government agency to the citizens in respect of the services being provided to them. e.g. if "X" problem is not solved in "Y" days then complain to "Z" officer on ABC Phone number / email address etc.

⇒ (Origin) 📁 Budget-2021: we'll create an "investor charter" (निवेशक अधिकार पत्र) for financial investors across all financial products (Share, Bond, derivatives, Commodities market etc).

⇒ SEBI notified this in 2021-November.

- This charter applies on Entities/actors e.g. investors, mutual funds, stock brokers, stock exchanges, depositories, underwriters, real estate investment trusts (REITs), infrastructure investment trusts (InvITS), & other collective investment schemes,
- This charter applies on Events e.g. initial public offerings (IPO), FPO, etc.

⇒ More details shifted to Mains-Handout. #RAFTAAR.

16.25.1 📁🐱🏃: SEBI: why protect investors & 📈 investors participation?



Figure 3: पूंजी बाजार की जड़ों को गहरा करना है तो सिर्फ अमीरों का नहीं, गरीबों की बचत का पैसा भी जाना चाहिए!

⇒ Share market scams erode publics' hard-earned savings → alcoholism, depression, suicide and other social ills. (जनता की बचत का पैसा घपले में बर्बाद तो जनता में शराब, अवसाद, आत्महत्या और अन्य सामाजिक बुराई)

⇒ Duped investors will shy away from share market & they may invest in gold / real estate = not very beneficial to economy as it our import-bill, creates black money opportunities.

⇒ If households don't participate in capital market → companies will have to approach the banks to get more loans. But banks' lending capacity is limited by CRR, SLR, PSL, NPA, PCA. (REF in

📁 Pillar#1B2)

⇒ If more retail investors participate in capital market = "Deepening of the capital market" → factory expansion, job creation, and economic growth. (खुदरा निवेशक की मदद से पूंजी बाजार की जड़ों की ओर गहरा करना- ताकि रोजगार सृजन और आर्थिक वृद्धि में मदद मिले)

16.25.2 📁🏃: measures to 📈 retail investors participation- 25% public holding in Govt Companies

⇒ Budget 2019: For all the listed government companies, we will strive for minimum 25% public shareholding. (आम जनता को भी सरकारी कंपनियों के शेयर खरीदने का मौका मिले)

⇒ SEBI to raise minimum public shareholding in listed private sector companies to 35%.

⇒ 🐱 ATMANIRBHAR: minimum shareholding related norms deferred under Corona crisis.



16.25.3 🐱 Yes! capital market has deepened says 📖 ES25:

Matter	Before	2024-Dec
number of investors	4.9 crore (2020)	13.2 crore
Number of mutual fund account holders	2.9 cr (2021)	5.6 cr
Monthly avg investment in SIP	₹0.10 lakh crore	₹0.23 lakh crore
Number of IPOs listed	196 (2023)	>250
₹ mobilized from IPO	₹53,023 cr (2023)	₹1,53,987 cr
Indian IPOs as % of Global IPOs	17% (2023)	30%

- SIP = Systematic Investment Plan.
- Higher investor participation = demand for shares increase = SENSEX goes up = more investors get attracted to join.
- Indian families' investments in Indian sharemarket has increased by over ₹40 lakh crore in the last five years.

16.25.4 🐱 Debt/Bond market, not fully developed laments 📖 ES25:

Parameter	India 🇮🇳	China 🇨🇳	Korea 🇰🇷
Corporate Bond Market (% of GDP)	18%	36%	80%

- Insurance companies not allowed to invest in debt issued by private sector companies. (due to regulations by IRDAI)
- Insurance and pension companies cannot invest in bonds that are lower than AA-rated. (due to regulations by IRDAI and PFRDA)
- most of the manufacturing companies do not have AA or better rating. So, they struggle to find investors in Bond market.
- 60% of bonds are issued by Bank and NBFCs. (because other type of companies will struggle to find investors)
- Secondary market in bonds is under-developed / not enough buyers available. So bond-assets are not 'very liquid'.

16.26 📡 Bond Central Portal to 1-stop info on all bonds (2025)

- To create a central database of all the corporate bonds to help investors find authentic info.
- Boss? SEBI launched it. Portal developed by Online Bond Platform Providers (OBPP) Association, with help of Market Infrastructure Institutions (MIIs- such as stock exchanges and depositories.)

16.27 🐱 🏃 SEBI REFORMS TO BOOST INVESTORS' CONFIDENCE?

16.27.1 🛑 Circuit breaker

⇒ Harshad Mehta (1992), Ketan Parekh (2001) arranged money from banks, used it for rigging the share prices to make windfall gains during Bull-runs by other investors. Once the prices crashed, small investors suffered. बैंकों से गबन बंद करके पैसा लाए जिससे कंपनियों के शेयर जमकर खरीद के उसकी मांग और दामों को बढ़ाया ताकि लालच में अन्य निवेशक भी उन कंपनियों के शेयर ऊँची कीमतों में खरीदने लगे अंत में यह लोग अपने शेयर बेच कर



भाग गए

- ⇒ To prevent such scams, SEBI introduced Circuit Breaker System, wherein if fluctuation in the share prices is more than “x%” than previous day, then stock exchange must stop trading for “y” minutes.

1st Jan: lets trade 100 infosys shares @Rs.1400 each. then within 1 working day

Buyer must transfer money to seller

Seller must deliver shares to buyer

foreign investors: this is difficult due to Timezone difference.

16.27.2 🕒 T+1 day Settlement instead of T+2 day

- ⇒ Badla System/Carry forward system: Buying of shares using borrowed money & making promises to carry forward the settlement for upto 72 days. scamsters misused (इसकी टोपी उसके सर पे: सौदा आज करते लेकिन पैसों का भुगतान/शेयर की डिलीवरी 72 दिनो बाद होती- और इस समय के दौरान वही घपलेबाज उन्ही शेयर बेचने की टोपी दूसरों को पहनाते रहेता)
- ⇒ so SEBI discontinued Badla System (in 2001) & introduced (T+2) rolling settlement system i.e. after trade is conducted, the parties must settle it within two working days (= buyer pays money, seller deliver shares/bonds/securities).

16.27.3 🕒 T+1 hour & T+0 hour (instantaneous) settlement

Term	Meaning	SEBI aims to launch from ^{##}
T+1 hour	Within 1 hour, Payment-delivery concluded.	March 2024
T+0 hour	also called instant/instantaneous settlement.	October 2024

##Note: SEBI says we'll do X thing from Y date, then it'll do for top-500 companies then it'll postpone to Z date after pushback from trader-lobby so plz fuzz too much over date/month/years.

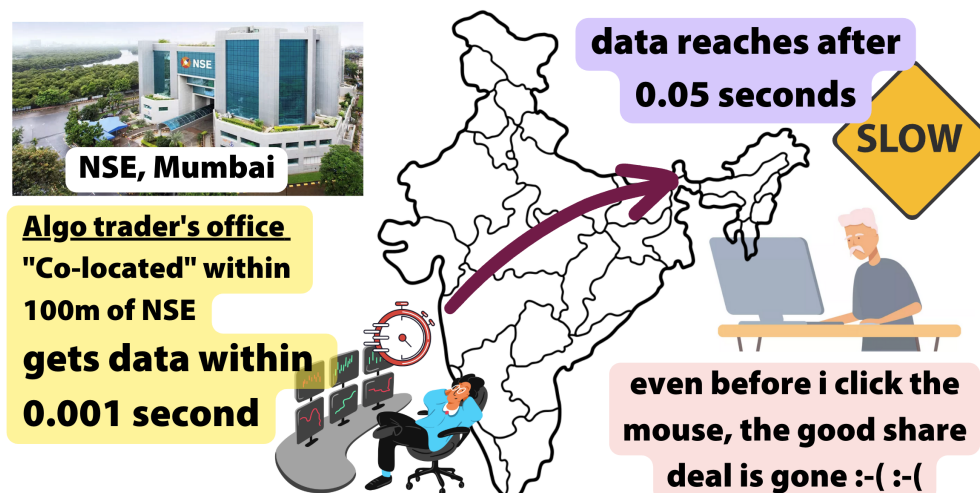
16.27.4 🛒 (🖥️:👤:👛:🐱) Illegal Trading: Dabba-trading, Insider Trading, Front Running

- ⇒ **Dabba Trading / Bucketing / Box Trading:** While share trade occurs at stock exchange linked with DEMAT accounts, the Dabba Trades occur in the unofficial books/ledgers of an unscrupulous broker. He may or may not execute those orders in actual DEMAT account. Investor prone to scam, govt deprived of taxes. So, SEBI declared it illegal.
- ⇒ **Insider Trading (भेदिया लेनदेन):** Whenever company launches new products, wins unique patents, or undergoes merger/acquisition- its share prices may 📈. If a person associated with company uses such confidential information for buying/selling shares to make windfall gains. Such insider trading is illegal.
- ⇒ **Front Running (illegal):** e.g. LIC Mutual Fund manager Yogesh knew that LIC-MF was going to invest heavily in X company. So he bought the shares of that X company in advance in his personal account (to make profit when price rises after LIC-MF starts buying). SEBI banned him. Want2Phd? <https://youtu.be/ajTZL1chho0?si=fWvH1MhOQ0xxi-Zm>



FAQ by Zhande-walle Babushone: *what is the difference between insider trading and front running?? Can we say front running is a some type of insider trading?.* Ans. It is notimp. Remember them as one-liners, instead of comparing "A" vs "B". Move to next topic. थोड़ा-पढ़ो-आगे-बढ़ो.

16.27.5 🛒 (🖥️🕒👤👔) Algo Trading & Co-Location / “Trading access point (TAP)” System case.



What does this mean? Explained in the video.

Also called “Trading access point (TAP)” System case.

16.27.6 🏦 Investor Protection Fund (IPF)

- ⇒ SEBI requires Stock exchanges (BSE, NSE etc) and commodity exchanges (NSEL, MCX etc) to setup Investor Protection Fund (IPF: निवेशक सुरक्षा कोष).
- ⇒ IPF covers investors' 'non-speculative' type of losses. e.g. if the other party is not delivering shares because of some court case. IPF also promotes investor education and awareness.
- ⇒ max. protection per investor is ₹25 lakh.

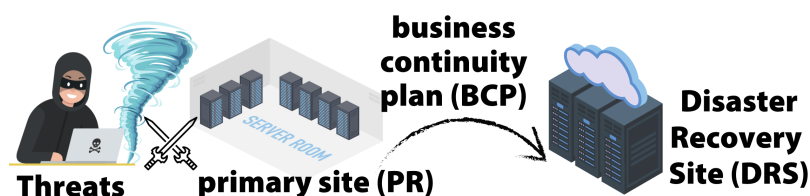
FAQ if we've Central Counterparties (CCPs) then why is this fund required? Ans. ok ask SEBI to shut it down. 1-liner GK hai. accept and move to next topic.

16.27.7 🏦 Settlement guarantee fund (SGF)

- Objective similar to the investor protection fund. But we'll not PHD.
- Stock exchanges, clearing corporations and brokers required to towards it.

16.28 📡 SERVER CRASH PROTECTION

16.28.1 📡 SEBI's BCP Plan & DRS Sites



- SEBI has designed business continuity plan (BCP) for market infrastructure institutions (MIIs) — i.e. (1) stock exchanges, (2) depositories, (3) clearing corporations.
- MII need to have a disaster recovery site (DRS). So when there is disruption in their server at the primary site (PR) → they'll move data/operations to the server at DRS site.



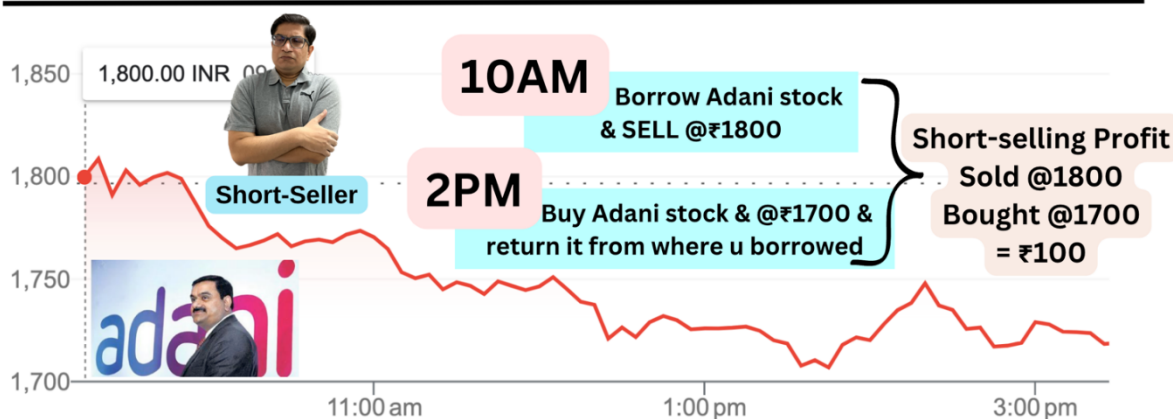
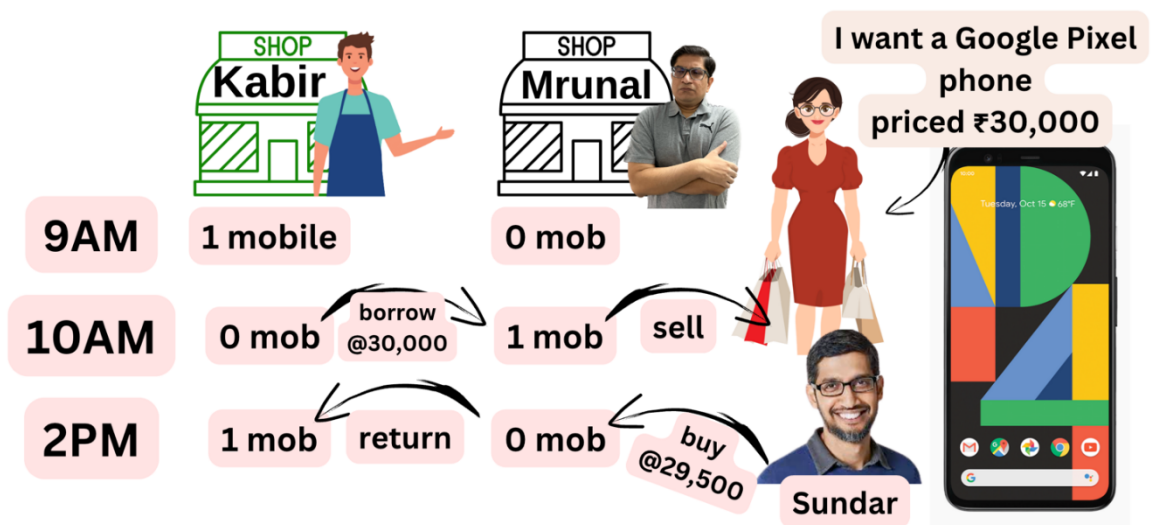
- 2024-March: Bombay Stock Exchanges (BSE) and the National Stock Exchanges (NSE) carried out mock drill / special trading sessions for this.

16.28.2 📡 SEBI → LAMA - IT monitoring system/framework

- LAMA system helps Stock Exchanges, Depositories etc. to check their IT-system integrity on real-time basis.
- LAMA = Log Analytics and Monitoring Application. (Full form not imp)

16.28.3 📡 IRRA Portal: Investor Risk Reduction Access (IRRA)

- is a platform that will act as a 'safety net' for investors during technical glitches/server errors.
- Helps Investor to cancel/close the trade to protect his money during server errors.
- Boss? jointly developed by all the stock exchanges – BSE, NSE, NCDEX, MCX and Metropolitan Stock Exchange of India (MSE)



16.28.4 🐻📉 ADANI HINDENBURG, FLASH CRASH, SHORT-SELLING (2023)

- ⇒ Hindenburg Research firm (USA) alleged that Adani was doing stock manipulation, accounting fraud, money laundering, taking too much loans beyond the capacity to repay etc. (HOW exactly? Ans. Notimp after observing PYQ.)
- ⇒ then investors panicked and started exiting Adani shares at loss.
- ⇒ Shareprice fell from ₹3500 (2023-Jan) to ₹1500 (2023-Feb). **Flash Crash** = term to describe sudden (and huge) fall in share price. e.g. Adani after Hindenburg report (2023)



- ⇒ Adani's supporters argue that Hindenburg spreading negative news to make the share price fall, to make profit thru short selling of Adani shares. (How? Explained in the next section:)
- ⇒ SC had setup Justice A M Sapre panel to investigate Adani share crash and other regulatory aspects for stock markets. **Its recommendations** = Refer to Mains-handout.

16.28.5 📉 Short selling (make profit from falling share price)

- ⇒ Short selling occurs when an investor borrows a share (निवेशक शेयर उधार लेता है)
- ⇒ then sells it in the market (फिर बाजार में बेच देता है)
- ⇒ with hope to buy it back later for lesser price. (इस उम्मीद में कि बाद में उसे सस्ते दाम में वापस खरीद लेगा ताकि उसे मुनाफा हो जाए.)
- ⇒ See the graphics given. & watch video lecture for better understanding:

16.28.6 🦋👤 Adani pe Case in USA: Hague Service Convention for summons

- Adani had collected money from American investors and allegedly used it to pay bribe to Indian bureaucrats for the solar projects.
- 2024: American court started a case against Adani, under Foreign Corrupt Practices Act (FCPA)
- 2025: Trump paused FCPA Act for 180 days. So in a way, Adani got relief.
- Hague Service Convention (1965) helps a country to send judicial summons to an accused person staying in another country.
- 2025-March: Union Law and Justice Ministry forwarded a summons from the U.S. court to Ahmedabad sessions court to be served on Gautam Adani.

16.28.7 👤♀️ Finfluencers:

- ⇒ Finfluencer is an influencer, who gives advice on financial investments via social media.
- ⇒ Sometimes they give wrong advice on behest of share market scamsters. SEBI punishes them.

16.29 🛒 (🔪📁) ONLINE TRADING PLATFORMS → G-SEC

16.29.1 🛒 (🔪📁: 🧑🧑👤👤) G-Sec Trading- Retail investors' RDG @RBI

- ⇒ RBI launched "Retail Direct Scheme" in 2021.
- ⇒ Under this scheme, RBI permits "Retail Direct Gilt (RDG) account" for retail investors on its E-Kuber online platform. (आम निवेशक रिज़र्व बैंक में आरडीजी नामक खाता खोल पाएंगे)
- ⇒ Both Resident Indians & non-resident Indians (NRIs) can open this account. (गैर निवासी भारतीय भी)
- ⇒ Then Retail investors can directly buy Treasury Bills (T-Bill), G-Secs (of Union Government), State Development Loans (SDL are 'G-secs' of State Govts) and Sovereign Gold Bonds, from RBI directly. (आम निवेशक सीधा रिज़र्व बैंक से इन प्रतिभूतियों को खरीद सकता है.)
- ⇒ Application fees to open the account = ₹ ZERO. Note: Retail investors can also invest in G-Sec/T-bill indirectly via Mutual Funds It is not banned. But if retail investors want to buy directly from RBI- then they've to goto RBI's RDG/e-kuber.
- ⇒ 2024: RBI said it'll launch a mobile app for this.
- 🧑🧑👤👤 **Benefit?** 1) Earlier retail investors bought G-sec "indirectly" through mutual funds wherein mutual fund manager (MF) charged commission/fees. Now retail investor can buy directly so does not have to pay such commission/fees to MF managers. (बिचैलियों को दलाली/कमीशन नहीं देना होगा)
- 🧑🧑👤👤 2) Deepening of G-Sec market through 🛒 retail participation (बाजार की जड़ों को गहरा करेगा)



16.30 🛒 (🔪📁: 🧑🏫👤👤👤) G-SEC TRADING: RBI's NDS-OM, OTC

- ⇒ RBI owns and regulates Negotiated Dealing System (NDS) for trading in G-Sec.
- ⇒ Clearing Corporation of India Limited (CCIL a company founded by SBI, IDBI, ICICI, LIC etc) maintains this system.
- ⇒ NDS system for recording the transactions of G-Sec buy-sell. NDS has following components:

Telephonic	i.e. buyer/seller call each other on the telephone, make the deal about buying and selling and then inform the reserve bank's NDS system (<i>ke we've done this deal</i>).
Over-The-Counter (OTC)	Buyer physically walks into the seller's office (or vice versa) and conducts the transaction. Later they report transactions to RBI's NDS System (<i>ke we've done this deal</i>). (ऑफिस में रुबरु मिलके खरीद-बिक्री करेंगे, बाद में रिजर्व बैंक को सूचित करेंगे कि हमने ये किया था)
NDS-OM	Negotiated Dealing System-Order Matching system (NDS-OM): electronic, computer screen based, anonymous, order driven trading system for dealing in G-sec's secondary market. Buyer-seller places orders online without knowing names/phone numbers of each other. (खरीददार और विक्रेता एक दूसरे की असली नाम पहचान नहीं जान पाएंगे)

🔴👤 FAQ: Then what is E-Kuber?

- ⇒ Ans. E-Kuber is the core banking solution (CBS: REF Pillar1A1) platform of RBI to digitally handle all operations of RBI e.g. NEFT-RTGS, Repo, MSF, CRR, PSLC certificate trading, G-Sec, Sovereign Gold Bond, Retail Direct Scheme (RDG) etc.
- ⇒ You may think of E-kuber as a Windows Operating system, & NDS as a sub-component/excel-software inside of it that handles G-Sec buying-selling database management/account keeping.

📖 ? MCQ. Find correct statement(s): (Asked in Prelims-2021)

- Retail investors through demat account can invest in 'Treasury Bills' and 'Government of India Debt Bonds' in primary market.
- The 'Negotiated Dealing System-Order Matching' is a govt securities trading platform of the Reserve Bank of India. [NDS-OM सरकारी प्रतिभूतियों में खरीद बिक्री करने के लिए रिजर्व बैंक द्वारा बनाया गया मंच है]
- The 'Central Depository Services Ltd.' is jointly promoted by the Reserve Bank of India and the Bombay Stock Exchange. [CDSL को रिजर्व बैंक और बॉम्बे स्टॉक एक्सचेंज द्वारा संयुक्त रूप से बनाया गया था]

Codes: a) 1 Only b) 1 and 2 c) 3 Only d) 2 and 3

16.30.1 ARBITRAGE & RELATED CONCEPTS

16.30.2 📞 Bid-Ask Spread

Player	Jetha wants to buy at (Bidding price)	Bhide wants to sell at (Asking price)	Spread / Gap
WIPRO Share	600	800	₹200

In above situation, the deal can't happen because the Bid-Ask Spread is high.

- Either buyer or the seller will have to make price-compromise, only then deal can happen.
- If bid-ask spread is HIGH = liquidity of the asset decreases. Because it becomes difficult to sell.



16.30.3 📞 Arbitrage: Making profit due to difference in to markets/location.

Location	Delhi	Mumbai	Arbitrage
Gold Price (10gm)	60,900	60,800	₹100

- In above example, a dealer can buy the gold from Mumbai and sell to Delhi and he will make a profit (arbitrage) of ₹100.
- nowadays the arbitrage in financial assets (share/bond etc) is very low due to online trading.

16.30.4 🇮🇳 Yen carry trade & fall of Indian Sharemarket. (2024)



- Yen carry trade involves borrowing in a low-interest currency (yen) to invest in higher-yielding assets (e.g. Indian sharemarket).
- 2024: Japan's central bank → ❌ loan interest rate ❌ profit margins ❌ ❌ for Yen-carry traders → So foreign investors started fleeing.
- Result? Heavy fall in the stock exchanges. Japan's Nikkei 225 Index (-12%), Indian Sensex (~3%), South Korea's Kospi (8%) etc.
- Want2Ph.D? <https://youtu.be/vd3kgnArQGY?si=pJtOAMrj4eg17hAx>

16.31 🏠👨👩👧👦 INVESTMENT FUNDS → MUTUAL FUND (MF) FOR AAM-AADMI



Figure 4: swag से करेंगे 'middle-class' का 'स्वागत'। Observe colors in logo, meant for attracting ordinary crowd

- ⇒ Mutual Fund is an Asset Management Company (AMC-NBFC) that pools savings of (retail) investors and gives them "Units".
- ⇒ MF Manager parks this money in securities & builds his 'portfolio'.
- ⇒ Whatever dividend/ interest is generated from the portfolio, it is distribute among investors in the proportion of their units.
- ⇒ Investor pays **Entry Load** (= fees for joining), **Exit Load** (= fees while quitting).
- ⇒ Due to low deposit rates in banks, people invested money in mutual funds however post-IL&FS crisis, corona crisis, charm declining because mutual funds are subject to such market risks.
- ⇒ 🏠👨👩👧👦👉 "Side pocketing": SEBI 's guidelines to help MFs to separate their IL&FS type stressed/toxic assets from their standard assets. Helps protecting the investors. How?NOTIMP-

16.31.1 🏠👨👩👧👦 MF → Hybrid mutual funds

Type of MF	Invests money in
------------	------------------



Equity-MF	Shares.
Debt-MF	Bonds, G-Sec, T-Bill etc. Short-term and long-term Bonds instruments
Hybrid-MF	Shares and Bonds both types.
Multi-asset	Shares, Bond & Gold.

16.31.2 🚗👉 MF: Open ended vs Close ended

Type	Open ended	Close ended
size of the fund	unlimited, everyone welcome.	fixed e.g. 50 cr fund. Manager will not accept more money once it is filled.
client can subscribe	whenever he wants	there is closing date, after which MF- manager will not accept money.
maturity	none.	Fixed maturity period e.g. 5 years

16.31.3 🔄🔄 MF: Lumpsum (One-off) vs SIP

Type	One-time / one-off /lump-sum	Systematic Investment Plan (SIP)
client contributes ₹ →	only 1 time . (बस एक ही बार पैसा जमा करता है)	regular basis e.g. Monthly (नियमित रूप से बार बार पैसा जमा करता है)

16.31.4 🏠👨👩👧👦 Mutual fund → ESG, Shariya Mutual Funds

- ⇒ **ESG Mutual Funds**= These mutual funds will invest clients' money in companies that have good performance on Environmental, Social, And Governance (ESG) aspects.
- ⇒ **Shariya Mutual Fund**= These mutual funds will invest clients' money in companies that are compliant with Islamic Shariya law. E.g. They will **not** invest in alcohol, pork, gambling etc related companies.

16.31.5 🏠👨👩👧👦 Mutual fund → SIP, ELSS, ULIP

- ⇒ **Traditional Mutual Fund** = client invests entire amount at once. एक साथ पूरी रकम जमा करानी होती है
- ⇒ **Systematic Investment Plan (SIP)**= Mutual fund wherein client deposits small-small fixed amounts at fixed interval e.g. month basis etc. ग्राहक छोटी-छोटी किस्तों में रकम जमा करवाता है
- ⇒ **Equity Linked Savings Scheme (ELSS)**= It is a sub-type of mutual fund where money is locked in for 3 years and invested in equities (shares). It's eligible for certain benefits in Income Tax.
- ⇒ **Unit linked insurance policy (ULIP)**= client invest money in a scheme wherein → (1) some ₹ goes into Mutual Fund (2) some ₹ goes into insurance policy (📄Ref: HDT-Pillar#1D)

16.31.6 🏠👨👩👧👦 Mutual fund → 📊 Mutual fund risk-o-meter

- ⇒ SEBI requires mutual fund company to disclose how much risk is present in their scheme, on a monthly basis, thru a digital dashboard called 'risk-o-meter'. (कितने जोखिम पूर्ण तरीके से निवेश कर रहा है)
- ⇒ It shows 6 categories of risk: low, low to moderate, moderate, moderately high, high, (#)very high risk. (#) SEBI added this new category 'very high risk' in 2020-Oct.
- ⇒ This helps the investor to make decision- which Mutual fund he wants to joins depending on his



risk appetite. (उस हिसाब से निवेशक तय करें उसे कौन से सलामती पूर्ण या जोखिमपूर्ण म्यूचुअल फंड में जाना है.)

16.31.7 📦👤👤👤 **Mutual Fund: Backstop Entity- SEBI proposal for stressed MF**
NOT YET formed. And outdated for 2024-25. So deleting it. #RAFTAAR for Prelims.

16.31.8 🛒🔪👤👤👤 **Bond Buying Institution in Budget-2021**
NOT YET formed. And outdated for 2024-25. So deleting it. #RAFTAAR for Prelims.

16.32 📦👤👤👤 **INVESTMENT FUNDS → HEDGE FUND (हेज फण्ड) FOR RICH-AADMI**



Figure 5: Swag से नहीं करेंगे 'middle-class' का 'स्वागत'। Observe 'premium' logo-designs to attract rich people

- ⇒ Special type of Mutual Fund meant for HNI (High Net Worth Individual) who wants high risk high return. SEBI norms: Minimum investment per person is ₹1 crore. (सिर्फ अमीरों के लिए है)
- ⇒ Hedge Fund manager will invest their money in Junk Bonds, Risky assets; he'll do risky trading activities such as Arbitrage, Leverage, Short Selling, Future&Options(F&O) trading, Derivatives Trading etc. to generate maximum return. (how is that done in real life, what do these words mean? = UPSC-CSE not for recruitment of HF managers.)

16.32.1 📦👤👤👤 **Investment Funds: "Accredited Investor"**
Deleting from handout. I'm not finding it exam-worthy anymore.

16.32.2 📦👤👤👤 **Investment Funds → REITs / InvITs: for rich-aadmi**

	REITs: Real Estate Investment Trusts - (भू-भवन-संपत्ति निवेश न्यास)	InvITs: Infrastructure Investment Trusts-(अधिसंरचना)
Who can invest?	Min. ₹50,000 ^{##}	Min. ₹1 lakh
Manager parks the money in?	in real estate projects that are soon to complete. He'll earn income from rent / sale.	In airport, highway, thermal plants, gas grid etc. He'll earn from toll collection at highways, services fees at airports etc.
Example	Blackstone-Embassy group	IRB, India-grid

✓ Benefits of REITs and InvITs-

- ✓ Stressed developer gets new finance to finish the project while HNI gets new opportunity to invest his money, and he may also sell the units to third party via stock exchange.
- ✓ SEBI permitted these instruments in 2014.

^{##}(Note: these numbers keep changing. Enough to know- these are for rich people.)

16.32.3 📦👤👤👤 **Investment Funds → Sovereign Wealth Fund (संप्रभु धन कोष)**

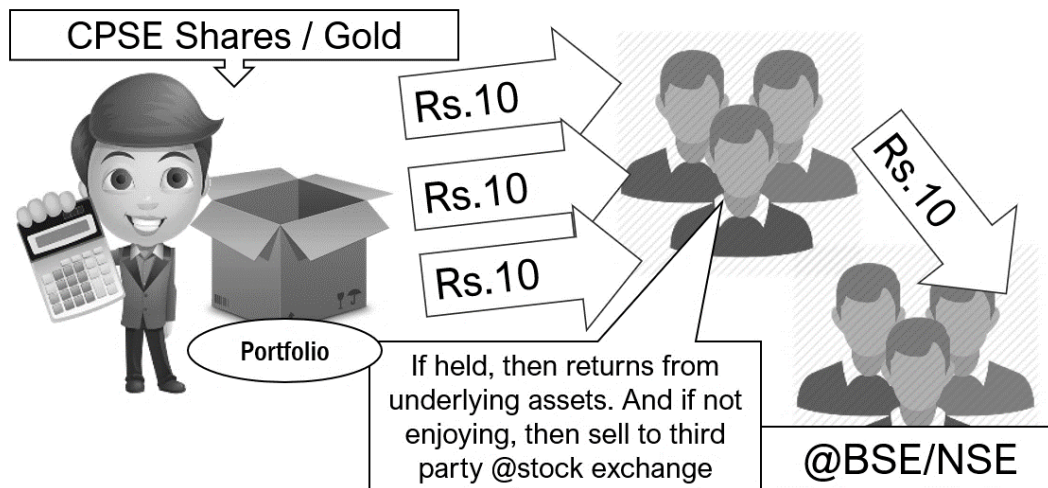
- ⇒ State owned investment fund, wherein central bank, finance ministry and other public sector financial intermediaries park their surplus fund. → money used for investment.
- ⇒ E.g. 2020-Jun: Abu Dhabi Investment Authority (ADIA) bought 1.16% of Reliance Jio for



₹5600+cr. Singapore's GIC sovereign wealth fund, Qatar Investment Authority (QIA) also active in Indian market.

⇒ What is National Investment & Infrastructure Fund (NIIF) Ans. Ref: Pillar#5: Infrastructure

16.33 🏠🏢 INVESTMENT FUNDS → CPSE-EXCHANGE TRADED FUNDS (ETF: ईटीएफ)



⇒ **Disinvestment** (विनिवेश): government sells its shares from Central Public Sector Enterprises (CPSE: केंद्रीय सार्वजनिक क्षेत्र के उद्यम) but does not reduce its shareholding below 51%.

⇒ If Govt's shareholding reduced below 51%, then it is called **Privatization** (निजीकरण), although NITI prefers the term '**Strategic Disinvestment**'. (More in Pill#2)

⇒ 2014: Govt wanted to disinvest 10 CPSE (ONGC, GAIL Ltd etc). If govt tried to sell individual company- shares, it would be more time consuming, and govt may not get good prices for each company.

⇒ So, Govt gave CPSE-shares to a fund manager Goldman Sachs - who created new securities out of it, called "Exchange Traded Funds (ETF)", and made a "New Fund Offer (NFO)" to the public to subscribe to these securities at ₹ 10 per unit.

⇒ If an investor holds the ETF → he will get returns from the dividend generated by those CPSE-companies in the backend. He may also sell these ETF to a third party via stock exchange, hence called **Exchange Traded Funds**.

⇒ **BHARAT-22**: Another CPSE-ETF when Govt wanted to disinvest shares from 22 companies including CPSE, PSBs and UTI using ICICI Prudential as fund manager (2017-18). However, PSB-NPA problem → poor dividends → BHARAT-22 not giving good returns, so, investors response was initially lukewarm.

⇒ Later govt announced, "We'll give the ELSS-walla income tax benefits to CPSE-ETF-investors as well" to attract investors.

16.33.1 🦁🔪🏠🏢🛒👉 Bharat Bond (Debt) ETF (2019)

Similar to above thing but instead of shares, it has govt owned companies bonds.

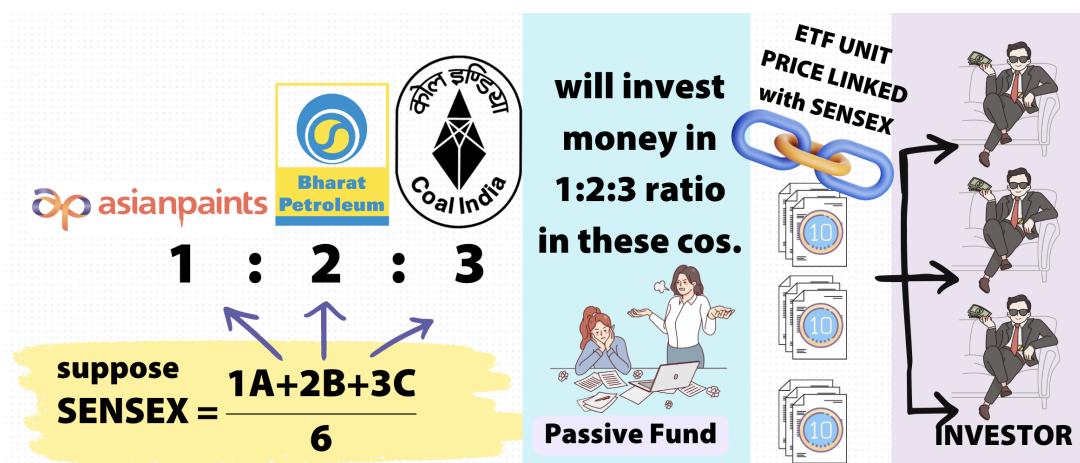


16.33.2 🦁🔪📦: (🏠🛒👛) CPSE-ETF vs Mutual Fund

Table 1: Sad that I've to spoonfeed this much

Mutual Fund	CPSE-ETF
Objective = invest clients' money in shares/bonds	Objective different than Mutual Fund (1) help Government for its disinvestment (2) help Government company to borrow money (Bharat-Bond ETF)
fund managers may buy/sell variety of shares and bonds of Government companies and private sector companies for best returns through out the scheme.	He's not doing that. His objective given above.
a fund manager may also change the composition of the portfolio for example if Infosys shares are not performing well → he may sell them and fill up the box with Wipro shares for better dividend.	His portfolio (list of govt companies' shares/bonds) is fixed. It'll not change.
manager charges higher fees	lower fees.

16.34 🤔 INDEX-ETF: A TYPE OF PASSIVE FUND



They collect client money and invests in the companies in a proportion to the stock-exchange weight assigned to those companies.

Fund	Index-ETF	Mutual Fund
Managed	Passively. Manager will mechanically invest money into an external indicator/index/asset without applying Brain. e.g. Index-ETF (see next section).	Actively. Manager will apply the brain before investing clients money. e.g. a mutual fund manager will decide whether to invest in Adani or reliance after checking their balance sheet and future expected profits.
Fees charged by Manager	less	more
Liquidity	higher/easier	lower/slower

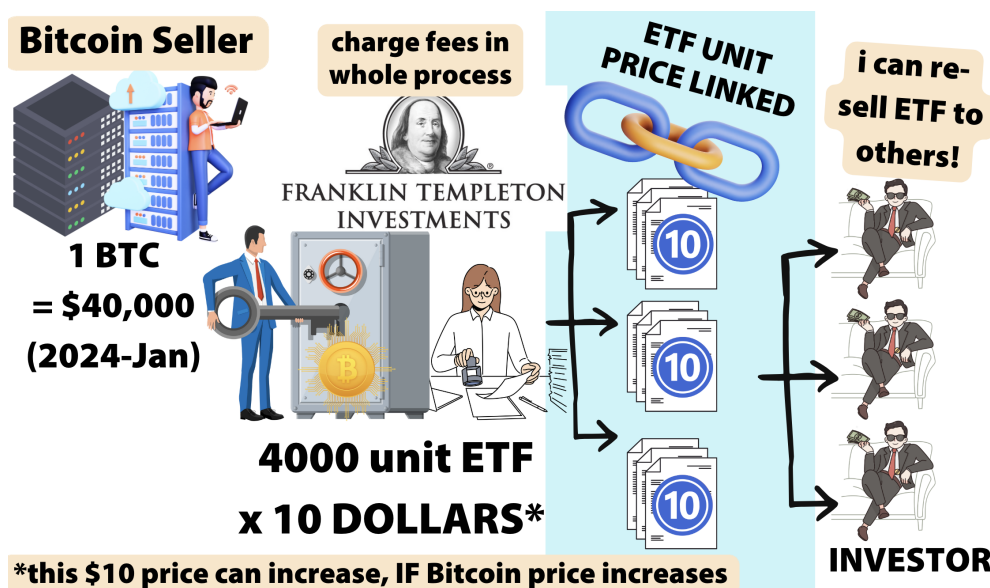


Fund	Index-ETF	Mutual Fund
Can be resold in secondary market?	Yes	difficult for close-ended MF with fixed maturity period e.g. 3 years.

MCQ. Find wrong about Exchange Traded Fund (ETF) (CDS-2018-I)

- (a) It is a marketable security. (b) It experiences price changes throughout the day.
- (c) It typically has lower liquidity and higher fees than mutual fund shares.
- (d) An ETF does not have its net asset value calculated once at the end of every

16.35 🌸🐮 BITCOIN ETF APPROVED IN USA (2024)



- How does it work? Ans. Explained in video lecture. I am not typing the entire movie script here, otherwise handout will become very long.
- 2024: USA's share market regulator i.e. Securities and Exchange Commission (SEC) approved Bitcoin ETF. (India has not yet approved.)

16.35.1 🌸🐮 Bitcoin ETF: Pros

- Bitcoin ETF provide no anonymity to investor = easier for the Government to demand tax from his profits/income.
- Bitcoin-ETF helps bypassing the dangers/complexities of buying Bitcoin directly from unknown websites/apps.
- Normal bitcoin wallet = If password is forgotten then difficult to recover.
- Whereas the Bitcoin-ETF = easier to retrieve lost passwords.
- They reduce volatility In prices. (because when mutual fund, insurance companies and other institutional investors invest put money in it, they will not randomly run away for smallest negative news. So the prices will remain stable.)

16.35.2 🌸🐮 Bitcoin ETF: Cons

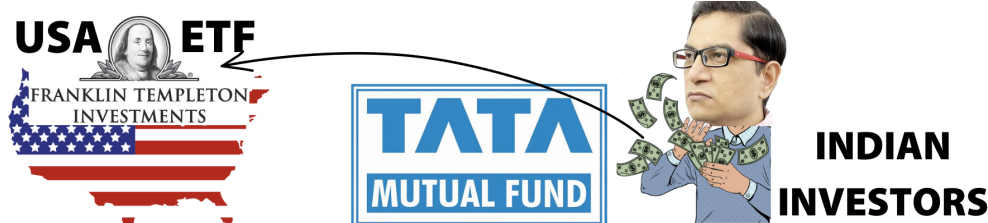
Investor will have to pay the fees to the stock exchange for every buying and selling.



▶️🧐 **FAQ: (1) can we say Bitcoin-ETF is an example of passive funds?** Ans. Yes but waste of time preparing a Mendeleev's periodic chemistry table ke which fund is example of active/passive.

▶️🧐 **FAQ:(2) can we also say XYZ is also a pros/cons of Bitcoin-ETF?** Ans. AskChatGPT, my syllabus-finisher-bus can't wait for you. थोड़ा-पढ़ो-आगे-बढ़ो.

16.35.3 🇺🇸👉 Overseas ETF: temp-ban on Indian MF by SEBI (2024)



- Unrestricted outflow of money from Indian economy can cause crisis in ₹-\$ currency exchange. So RBI has legal powers to impose restrictions under FEMA Act (Foreign Exchange Management Act 1999)(Ref: Pillar#3)
- e.g. RBI ordered- Indian Mutual funds (MF) cannot invest more than \$1 billion in overseas exchange traded funds (ETF).
- 2024-Apr: Indian MF reached 95% of this quota/ceiling. So SEBI ordered MFs to temporary stop accepting more money from investors.

16.35.4 🏆 Gold-ETF

- Investors give money → manager buys gold for safekeeping and trades it depending on price movements → returns are divided among the unit-holders.
- In between, the investor may sell his Gold-ETF to third party via Stock Exchange therefore they're also Exchange Traded Funds.
- WATCH VIDEO FOR MORE. IF I GIVE charts for it, handout will become very long.

16.36 📦 INVESTMENT FUNDS → ALTERNATIVE INVESTMENT FUNDS (AIF)



It's a technical classification by SEBI (वैकल्पिक निवेश कोष)

- **AIF Category I:** They generate positive spillover effects on the economy. Example: Venture Capital Funds, Angel investors fund, SME Funds, social venture fund, Infrastructure funds. SEBI keeps relaxed / lighter norms on them. जो कि अर्थतंत्र में सकारात्मक असर उत्पन्न करते हैं
- **AIF Category II:** Neither in Cat-1 nor in Cat-3 E.g. Private Equity or Debt Fund. जो ना तो ऊपर की श्रेणी में है ना नीचे की श्रेणी में है
- **AIF Category III:** They undertake excessive risk to generate high returns in short period of time. E.g. Hedge Funds, PIPE Funds. SEBI norms are stricter/heavier on them, because otherwise they may destabilize the capital market. जो कि अर्थतंत्र में जोखिम बढ़ाते हैं, नकारात्मक असर उत्पन्न करते हैं



MCQ. How many of these are treated as Alternative Investment Funds?: (Pre'25)

I. Bonds II. Hedge Funds III. Stocks IV. Venture Capital

Codes: (a) Only one (b) Only two (c) Only three (d) All the four

16.37 📅 ⌚ FORWARD / FUTURE CONTRACTS & CALL / PUT OPTION



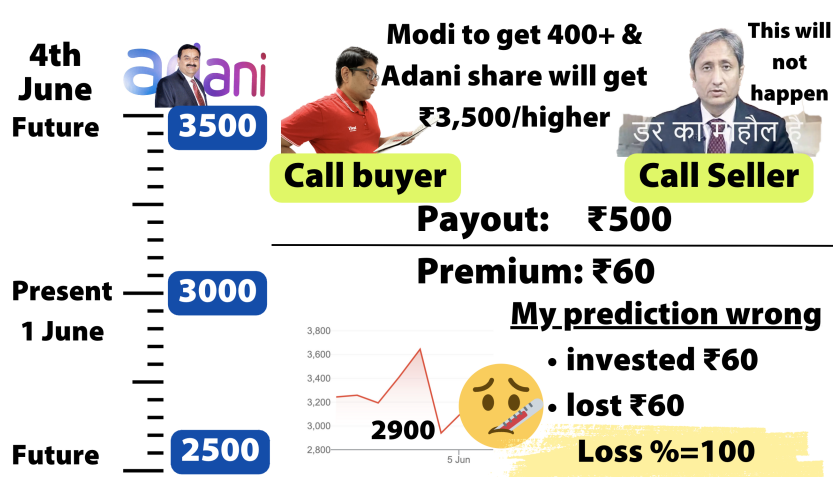
Figure 6: भविष्य में खरीदने का सोचा तो किया, लेकिन दाम गिर जाए, तो ख़ुद को बचाऊँ तो कैसे?

- A Forward / Future contract is a customized contract between two parties where settlement takes on a future date at a price/quantity agreed upon today. E.g. *on 1/5/2025 I shall sell you 100 nos. of Infosys shares at ₹1000 each.*
- In such contracts, there is a risk of other party not honoring commitment if he's getting better deal elsewhere in the future. So, for protecting (=hedging) themselves, they (=buyer or seller) may buy "Option" from a third party by paying fees. नुक़सानी से बचने के लिए बीमा लिया जाए
- Option is a type of insurance for executing the forward/future contract in a manner beneficial to them e.g. I'll sell you for ₹1000 on X date, & you must buy, but if I'm getting another buyer who is willing to pay ₹1500 then I may not sell you & you can't compel me.
- Such 'insurance options' are further subdivided into **Call Option and Put Option**, their internal difference & real-life mechanism not imp. for UPSC. (Still if u want to learn more, watch my Youtube Video: https://youtu.be/-2XHMvCiyQo?si=_aBi1-c6pGNxB4rl)
- Hedging = Act of purchasing such options/insurance to prevent your losses.

AB CD ? Which one of the following terms is used in Economics to denote a technique for avoiding a risk by making a counteracting transaction? [UPSC-CDS-2016-I]

(a) Dumping (b) Hedging (c) Discounting (d) Deflating

16.38 🌱🌴👉 OVER-FINANCIALISATION & SACHETISATION



16.38.1 🌱🌴👉 Sachetisation of F&O Market not good - says **ES24:**

Sachetisation refers to the process of making products available in smaller/ more affordable packets so even poor people can buy it. (सेचेटीकरण = किसी उत्पाद को छोटे पैकेट में उपलब्ध कराना, ताकि ग़रीब भी ख़रीद सके।)

Product	minimum size to buy	sachetization happened?
---------	---------------------	-------------------------



clinic plus shampoo	₹1 sachet	Yes, poor can afford to buy.
Mutual Fund	₹100-250	Yes
Hedge Fund	₹1 cr	No. SEBI doesn't want poor to loose money in high risk. That's why ₹1 cr requirement.
Future Option (FnO) Market	Discount-Brokers (e.g. Zerodha) allow poors to open account even if they've annual income of barely ₹1.20 lakhs.	Yes.

sachetization: making product affordable for poors



ES24: There is a need to reduce the sachetisation of F&O trade. Because

- Huge losses can occur in minutes if market predictions fail.
- SEBI reports 9 out of 10 F&O traders lose money. Yet Poor people are participating without understanding. They just gamble based on random tips from online finfluencers.
- Want2Phd? https://youtu.be/-2XHMvCiyQo?si=_aBi1-c6pGNxB4rl

AB CD MCQ. Find correct: (Pre'25)

- I. India accounts for a very large portion of all equity option contracts traded globally thus exhibiting a great boom.
- II. India's stock market has grown rapidly in the recent past even overtaking Hong Kong's at some point of time.
- III. There is no regulatory body to warn the small investors about the risks of options trading. (यानी की सेबी नाम को कोई संस्था नहीं है!)

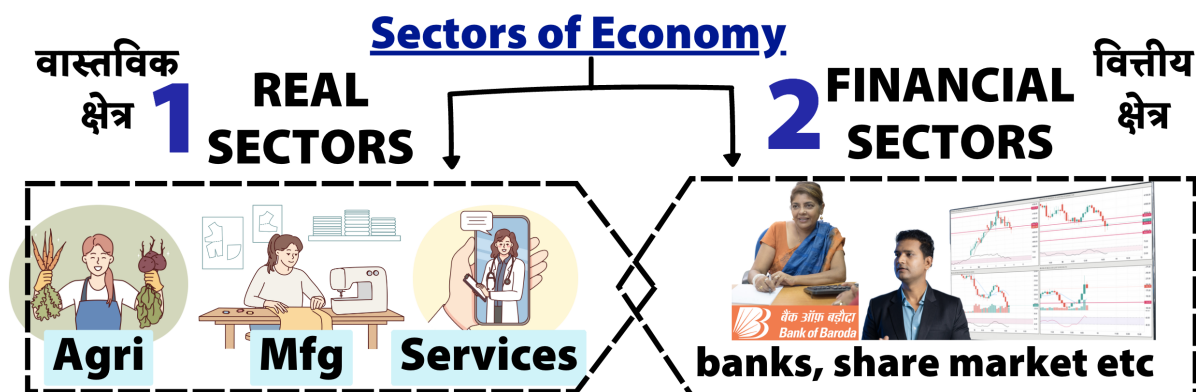
Codes: (a) I and II only (b) II and III only (c) I and III only (d) I, II and III

16.38.2 Jane Street ₹4000+ cr scam in F&O Market

- Mutual funds use clients' money for investing in the stock market, whereas proprietary trading firms use their own money for investing in the stock market.
- Jane Street is a proprietary trading firm from the USA.
- Jane Street is accused of manipulating the F&O (future and option) trading market and making over ₹4000 cr of unlawful profit, using 'marking the close strategy in the index-futures.' (How it works is not important for our exam.)
- SEBI banned Jane Street → Jane Street paid fine/penalty to SEBI → SEBI allowed it to resume.



16.38.3 Sectors of economy: real sector vs financial sector

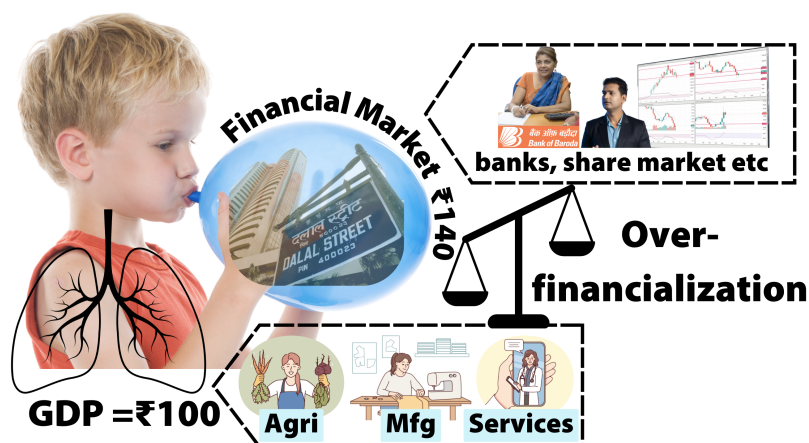


AB CD MCQ. Which are real sector in the economy ? (Pre'2022)

- (1) Farmers harvesting their crops (2) Textile mills converting raw cotton into fabrics
 (3) A commercial bank lending money to a trading company
 (4) A corporate body issuing Rupee Denominated Bonds overseas

Codes: (a) 1 and 2 only (b) 2, 3 and 4 only (c) 1, 3 and 4 only (d) 1, 2, 3 and 4

16.38.4 Over-financialization / Excess market capitalisation is dangerous says **ES24:**



- It refers to a situation where the financial sector (banks, stock markets, financial services, etc.) becomes disproportionately large relative to the real economy (=GDP).
- India's market capitalisation (as a % of GDP) far higher than that of other emerging market economies like China and Brazil.

Financial Year	2018-19	2024-Mar	2024-May
India's Market Capitalisation to GDP Ratio (%)	77%	124%	140% of GDP ₹415 lakh crore (\$5 trillion dollars).

This is not necessarily a sign of economic advancement or sophistication.

- These Financial assets (shares/bonds/bankers' loans) are ultimately claims on real goods and services in one way or another.
- So, if financial-sectors' claims on the real sectors' are excessively high, it is a harbinger of market instability rather than market resilience.
- It can create following problems:



- massive economic crisis e.g. Asian crisis of 1997–98, Subprime crisis of 2007–08 → Reduced capacity for sustainable long-term growth.
- increased inequality bcoz sharemarket players will make unreasonably high amount of money than normal people in normal jobs.
- Excessive financial speculation (e.g. future options trading where 9 out 10 ppl loose money.)

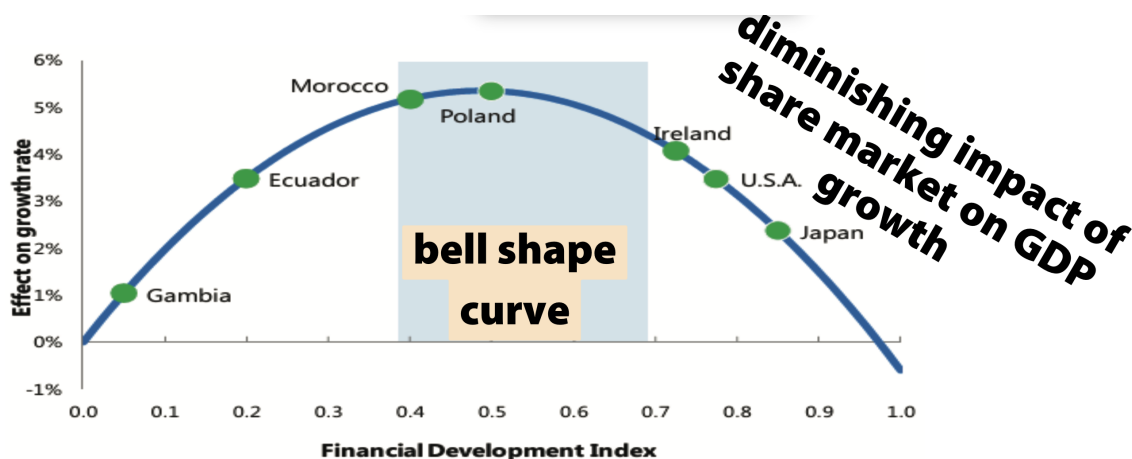
16.38.5 📌 Over financialisation damages productivity cautions 📖 ES25:

Excessive financialisation damages the productivity. Because

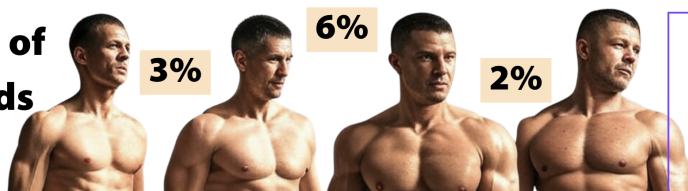
- More number of talented youth opts for financial sector careers (e.g. investment banker) rather than real sector jobs (e.g. Mechanical engineer designing new electric car).
- money is moving in the financial sector (complex trading in future-option market) rather than in the real sector (e.g. designing new CPU)
- Creates complex products whose risks are not apparent to the regular consumer. (e.g. Future-Option Trading)
- Money goes into high collateral–low productivity projects. (e.g. Bonds of Real Estate Companies.)

16.38.6 📌 Bell-shaped relationship: financial sector impact on GDP Growth - 📖 ES25:

- incremental increase in the financial sector can improve the GDP growth to what level?
- yes- for under-developed and developing countries such as Gambia, Ecuador and Morocco
- not so much for developed nations, such as Ireland, the USA, and Japan.
- But if weak SEBI / poor regulation then possible that developing economy (nations to the left of the bell curve) reach a point of over-financialisation, which will harm their growth.
- we should strive to maintain the fine balance between financial sector development and over-financialisation on the other.



impact of steroids



**एक हद के बाद
बहुत ज़्यादा
वृद्धि नहीं होगी**

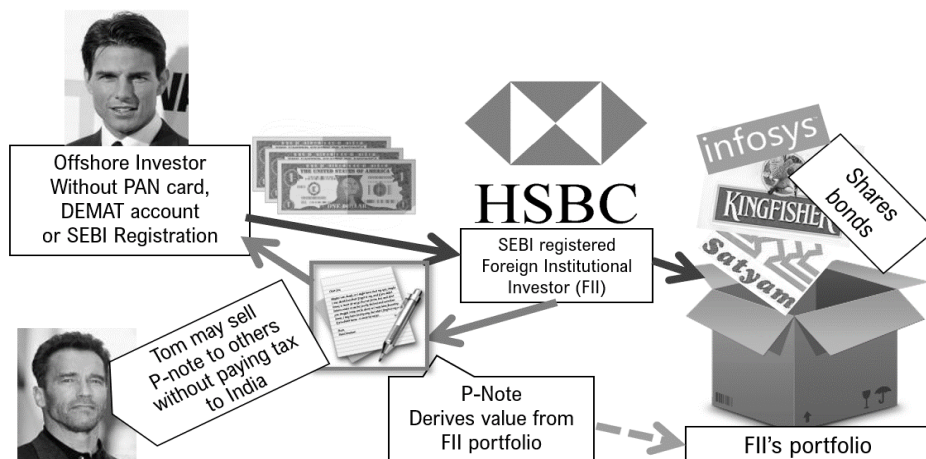
16.39 📌 DERIVATIVES & SWAPS (व्युत्पन्न प्रतिभूतियां और अदला-बदली)

⇒ A **derivative** is a contract whose value is derived from the value of another underlying asset which could be a share, bond, commodity or currency. इस प्रतिभूति का मूल्य किसी और संपत्ति से उद्भवित होकर



आता है

- ⇒ They're usually generated by the process of 'securitization'. E.g. NHB taking loan papers from banks, using them to generate new Mortgage Backed Securities. (प्रतिभूतिकरण की प्रक्रिया से इसे बनाते हैं)
- ⇒ **SWAP**: is derivative instrument to swap one financial asset with another financial asset (usually) to reduce the risk e.g. Currency Swap Agreement between two countries to protect themselves against dollar volatility (more in Pillar#3).
- ⇒ Similarly, there are **Credit Default Swap (CDS) agreement** against the risk of default, **Interest swap agreement** to protect against volatility in interest rates. But their mechanisms NOT IMP.



16.40 PARTICIPATORY NOTES (P-NOTES: पार्टिसिपेटरी नोट्स)

- ⇒ A foreigner wishes to **invest** his money in India but does not want to go through the hassles of registering with SEBI, getting PAN card number, opening a DEMAT account etc. So, he will approach a SEBI registered foreign institutional investor (FII) / foreign portfolio investor (FPI) such as Morgan Stanley, Citigroup or Goldman Sachs. He'll pay them & instruct them to purchase particular shares and bonds and store them in their Demat account.
- ⇒ Then FII will give him P-Notes, and he'll receive interest and dividend accordingly.
- ⇒ He may also sell those P-notes to a third party. (किसी अन्य व्यक्ति को भी बेच सकता है)
- ⇒ P-Notes are **Offshore Derivative Instruments** that derive the value from the underlying Indian shares and bonds. (अपतटीय व्युत्पन्न उपकरण)

P-Notes are harmful for Indian economy because:

- ⇒ P-note investors are not directly registered with SEBI. Identity of the actual investor, source of funds remain disguised= chances of Tax evasion, money laundering, terror finance (इसके निवेशक ने स्वयं सेबी में पंजीकरण नहीं करवाया वह पैसा किधर से लेकर आया यह सब जानकारी नहीं मिल पाती, कर चोरी, काले धन को वैध बनाना, आतंकी वित्तपोषण)
- ⇒ If P-Note owner sells his P-Notes to another foreign investor, Government of India may be **deprived of taxes**. (Compared to a scenario where Indian share owner is selling his shares to another Indian investor at profit, then government gets securities transaction tax and capital



gains tax on his profit, & he can't dodge it because DEMAT accounts linked with PAN card.

More on PAN card@Pillar#2 → BlackMoney)

Therefore, SEBI tightening the control P-Notes e.g. "X" category of FPIs can't issue P-Notes. "Y" category of FPI can issue P-Notes but they'll have to deposit \$1,000 to SEBI etc.

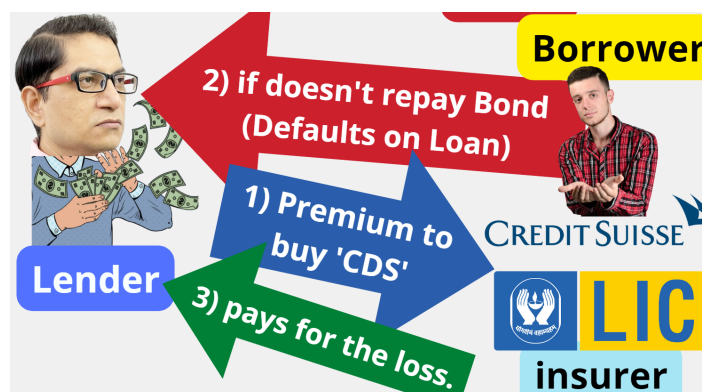
Table 2: Sad that even for such simple things I've to create such spoonfeeding-tables just to prevent FAQs from weak students

P-Notes	Foreign investor wants to invest in Indian share/bond market without registering with SEBI. He wants to buy Indian companies' shares/bonds in India. फ़िरंगी आदमी भारत की कंपनी में निवेश करना चाहता है लेकिन सेबी से पंजीकरण नहीं करवाना चाहता
Bharat-DR	Foreign Company wants to Indian to invest in its foreign/firangi-shares, without registering with SEBI. फ़िरंगी कंपनी अपनी कंपनी के शेयर्स भारतीयों को बेचना चाहती है लेकिन सेबी से पंजीकरण नहीं करवाना चाहती
ADR/GDR	Non-American Company wants to American people to invest in its shares without registering with American SEBI. गैर-अमेरिकी कंपनी अपनी कंपनी के शेयर अमेरिकी जनता को बेचना चाहती है लेकिन अमेरिका के शेयरबाजार नियंत्रक से पंजीकरण नहीं करवाना चाहती. GDR- similar concept, refer to respective segment.
Masala/Panda/Kangaroo Bonds etc	Foreign company/org wants to borrow money, in a particular currency from a particular country. Refer to respective segment

AB CD ? _____ is issued by registered foreign portfolio investors to overseas investors who want to be part of the Indian stock market without registering themselves directly? (Pre-2019)

(a) Certificate of Deposit (b) Commercial Paper (c) Promissory Note (d) Participatory Note

16.40.1 (🔪🤔🏠💰) Credit Default Swap (CDS)



⇒ CDS is an instrument to protect the lender/bond investors from the loan default by the borrower

⇒ PS: LIC is not 'insurer' in this case. I've used its logo only for easier visualisation.

⇒ Topic was in news, due to some scam involving a Swiss Bank "Credit Suisse"

16.40.2 Currency Swap

e.g. Central Bank of Japan and Indian RBI signed agreement to help each other upto \$75 billion in dollar currency, during currency-exchange/balance of payment related crisis (Ref: Pillar#3 for more.)

AB CD MCQ. Which of these are financial instruments?(Pre'24-Set-C-Q54)

1. Exchange-Traded Funds (ETF) 2. Motor vehicles 3. Currency swap



Codes: (a) 1 only (b) 2 and 3 only (c) 1, 2 and 3 (d) 1 and 3 only

16.41 🍌 TAX ON INVESTMENT / FINANCIAL ASSETS

- Normally, whenever we make investment, it is subjected to variety of taxes such as income tax, capital gains tax, securities transaction tax, commodities transaction tax, stamp duty etc. depending on the type of investment/transaction. (Ref: Pillar#2A-Taxation for more)
- However, in following investments, government provide some relief in the taxes. How much/when? NOTIMP.

RGEES Started in 2012	Rajiv Gandhi Equity Savings Scheme= Govt gives income tax benefit to people who invest in the share market for the first time. Discontinued by Budget-2017 (मध्यमवर्ग का नया निवेशक पहली बार शेयर बाजार में निवेश करें तो आयकर में राहत)
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16.41.1 🍌😍 Tax relief given on (निम्न चीजों पे टैक्स में रियायत/छूट दी जाती है)

CATEGORY	Examples
Bank FD (sp.type)	- 5-Year Tax Saving Fixed Deposit (FD) with Banks
Small Savings / social security More in Pillar1D	- Public Provident Fund (PPF), Employee Provident Fund (EPF) - Sukanya Samridhi Yojana (SSY)- Fixed bank deposit in the name of daughter - National Savings Certificate (NSC), Senior Citizen Savings Scheme
Pension/Insurance Pillar1D	Unit Linked Insurance Plans (ULIPs), - National Pension System (NPS), EPFO
Share market	Equity-Linked Savings Scheme (ELSS)
Bonds	Tax-Free bonds by some (NOT ALL, only Some) of the Govt companies/statutory bodies such as - National Highways Authority of India (NHAI), - Indian Railway Finance Corp (IRFC), Power Finance Corporation (PFC), - Housing and Urban Development Corporation (HUDCO), - India Infrastructure Finance Company Limited (IIFCL) etc.
Donations	Election donation, PM-CARES fund (ref Pillar2), Army Welfare Fund, Zero Coupon Zero Principal (ZCZP) Bonds etc.
Location based	Investments made from GIFT City (Gujarat). (Ref: Pillar#3A: Intl. Trade)

Above list is NOT exhaustive/complete. There could be some more tax-free instruments also. But we are not here for Chartered Accountant exam.

16.41.2 🍌😍 Tax relief NOT given on

Now, if the name of an instrument is not mentioned in above list → then good chance, it is subjected to some tax for example

- Bank Savings Account pe interest income.



- Sovereign Green Bond (Yes government has NOT given any tax benefit on it, YET)
- Municipal Bonds, G-Sec, T-Bill; Shares, Company Bonds; Futures, Options, P-Notes
- Mutual Fund, REITS, INVITS, ETF.; Bitcoins and Cryptocurrency (30% Tax)
- Property, Mona-Lisa Painting, Gold-Silver etc precious metals, Diamonds, Racehorses etc.

MCQ. [CSP23-SET-A-Q021] Consider the following statements :

- *Statement-I : Interest income from the deposits in Infrastructure Investment Trusts (InvITs) distributed to their investors is exempted from tax, but the dividend is taxable.*
- *Statement-II : InvITs are recognized as borrowers under the 'Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002'.*

(a) Both I & II are correct & II is the correct explanation for I

(b) Both I & II are correct & II is not the correct explanation for I

(c) I is correct but II is wrong (d) I is wrong but II is correct

MCQ. Find correct about "Inflation-Indexed Bonds (IIBs)" in India (Prelims-2022)

1. Government can reduce the coupon rates on its borrowing by way of IIBs.
2. IIBs provide protection to the investors from uncertainty regarding inflation.
3. The interest received as well as capital gains on IIBs are not taxable.

Codes: (a) 1 and 2 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

16.42 **COMMODITY MARKET, FMC, SEBI MERGER**

- A commodity market / exchange (वस्तु बाजार) is a place where buyers & sellers trade goods in bulk - food grains, cotton, precious metals or energy resources (coal, oil gas)
- **"Commodity Futures"**: Type of contract for future delivery and settlement of commodity e.g. "on 1/5/2021, I shall deliver you 500 quintals of wheat at X price".
- Commodity exchanges were under a statutory regulator Forward Market Commission (FMC) under the Ministry of Consumer Affairs and Public Distribution.
- But Jignesh Shah generated fake receipts without any commodities in the warehouses & traded at NSEL-commodity exchange. FMC failed to prevent scam. (एक कांड हो गया था)
- So first FMC transferred to Finance Ministry and FMC ultimately merged with SEBI (2015).

16.42.1 **Commodity Market: Gold exchanges & Budget-2021**

⇒ Gold exchange is a special type of commodity market devoted only to Gold trading.

⇒ Budget-2021: We will undertake reforms in the regulation of gold exchange markets in India.

1) SEBI will be the regulator

⇒ 2) Warehousing Development and Regulatory Authority (WDRA- Statutory body under Dept of Food and Public Distribution) Will be responsible for Warehousing/Vaulting, Assaying, Logistics of gold exchanges. (भंडारण, गुणवत्ता परीक्षण, रसद के मामलों की जिम्मेदारी)

16.42.2 **Commodity Market: Electronic Gold Receipts (EGRs)**

स्वर्ण कंपनियां "डब्ल्यूडीआरए" नाम की वैधानिक संस्था द्वारा पंजीकृत गोदामों में सोने की ईट/बिस्किट जमा करेंगे, उसकी "इलेक्ट्रॉनिक स्वर्ण रसीदे" सेबी द्वारा पंजीकृत इलेक्ट्रॉनिक गोल्ड एक्सचेंज पर बेची जाएगी। ग्राहक/निवेशक ऑनलाइन तरीके से उसे खरीद पाएगा

- **Stage1:** Gold companies deposit their gold in the warehouses authorized by Warehousing

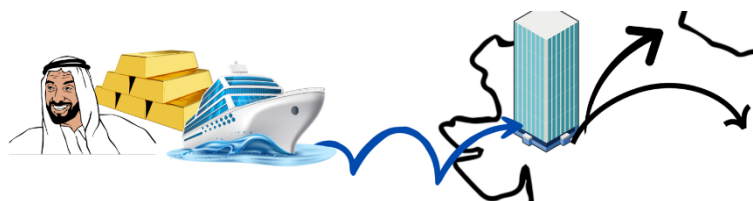


Development and Regulatory Authority (WDRA, it is a statutory body under Ministry of Consumer Affairs, Food & Public Distribution.)

- **Stage2:** Warehouse manager generates Electronic Gold Receipts (EGRs).
- **Stage3:** EGR are listed on the SEBI regulated electronic gold exchanges. → Buyer can buy the gold electronically and be assured of the quality. Later he may even sell this EGR to another investor or he may go to warehouse to collect physical gold.

👑 **Benefits:** 1) Assured quality. 2) Tax evasion is difficult due to online transactions monitored by SEBI. इसे ग्राहक को स्वर्ण की गुणवत्ता के बारे में सुनिश्चित होगी। कर चोरी मुश्किल होगी क्योंकि ऑनलाइन खातों की निगरानी होगी।

16.42.3 🏠📈🏦🏠 Commodity Market: India's first bullion exchange (2022)



India International Bullion Exchange (IIBX) is India's first bullion exchange @ GIFT City, Gujarat.

⇒ Bullion refers to physical gold and silver of high purity stored as coins, biscuits or bricks (ingots).

⇒ A bullion market/exchange is a place where large quantity of gold and silver is traded for 24/7 basis. (बुलियन मार्केट ऐसा स्थान है जहां बड़ी मात्रा में सोने और चांदी का दिनरात अविरल कारोबार होता है।)

16.43 🧑🏫 **FSDC: FINANCIAL STABILITY & DEVELOPMENT COUNCIL (2010)**



Figure 7: अभी भी इतने सारे "कांड" क्यों हो रहे हैं, गवर्नर साहब? - वित्तमंत्री @FSDC meeting.

⇒ **Functions?** Supervision of the economy & large financial conglomerates, coordination among the financial regulators, financial literacy and financial inclusion. (वित्तीय स्थिरता और विकास परिषद)

⇒ Chairman – Finance Minister. Other members : Minister of State (Finance),

- heads of all other financial sector regulatory bodies (e.g., RBI, SEBI, IRDAI, PFRDA and IFSCA-ref Pill3 gift city),
- Secretaries (IAS) of the departments of (i) Economic Affairs, (ii) Expenditure, (iii) Financial Services, (iv) Revenue, (v) Ministry of Corporate Affairs and (v) Ministry of Electronics and Information Technology
- Chief Economic Adviser (CEA)

⇒ Secretariat assistance by: FinMin → Dept. of Economic Affairs (आर्थिक मामलों का विभाग)

AB CD ? 'Financial Stability and Development Council': find correct statement(s): (Pre-2016)

1. It is an organ of NITI Aayog.
2. It is headed by the Union Finance Minister
3. It monitors macro-prudential supervision of the economy.

Answer Codes: (a) 1 and 2 only (b) 3 only (c) 2 and 3 only (d) 1, 2 and 3



16.44 👤 BODIES WITH SIMILAR SOUNDING NAMES: FSB, FATF

FSB (2009) HQ: BASEL	- Financial Stability Board is a brainchild of G20. (वित्तीय स्थिरता बोर्ड) - Functions? Financial monitoring at global level, Coordination between national financial regulators bodies. (अलग-अलग देशों के वित्तीय नियंत्रक के बीच तालमेल) - India has 3 seats in FSB: 1) Secretary of Department of Economic Affairs (IAS) 2) Dy. Governor of RBI 3) SEBI chairman
FATF (1989) HQ: Paris	- Financial Action Task Force (वित्तीय कार्रवाई कार्यदल) is a brainchild of G7. - India member in 2010. Function? Combating Money laundering and terror finance. (More 📄 Pill#2) (धन शोधन और आतंकी वित्तपोषण से लड़ना)
IOSCO	- International Organization of Securities Commissions (IOSCO) is the international body of world's securities regulators. SEBI is a member. - Famous for its IOSCO Guidelines for Investors Protection & risk prevention

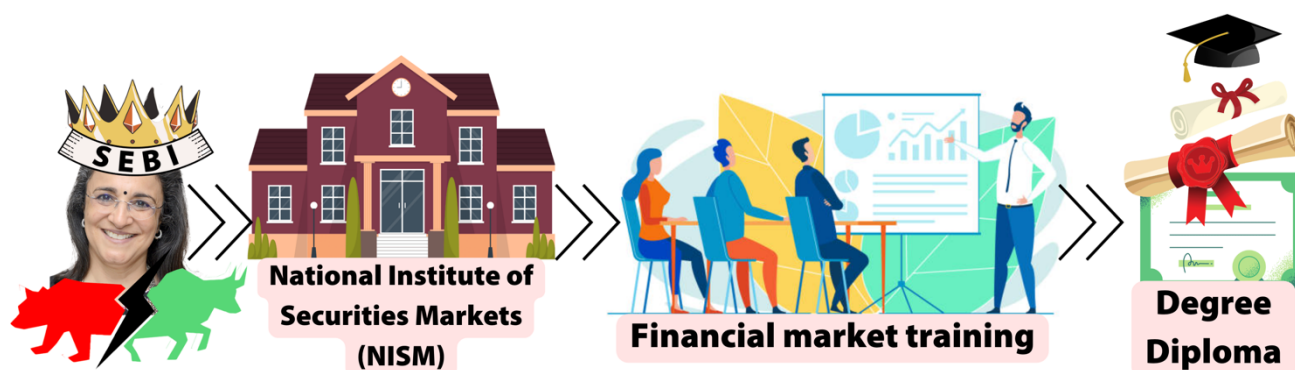
16.44.1 🇮🇳 Financial Sector Assessment Program (FSAP) by WB & IMF

is the quinquennial (5–5 years) survey jointly conducted by the IMF and the World Bank.

2011–12: first FSAP survey for India conducted.

[Note: This is given in 📖 ES24 so i pasted, else I don't waste pages like this.]

16.44.2 🏠 👤 NISM- capacity building for financial market professionals - 🎓 Budget-2023



⇒ National Institute of Securities Markets (NISM) is an educational institute set up by SEBI. HQ: Mumbai, Foundation Year-2006

⇒ 🎓 Budget-2023: NISM to conduct more training courses for financial Market

⇒ NISM will give them degrees, diplomas and certificates for finishing such courses

16.45 PILLAR 1C3: CORPORATE GOVERNANCE

16.46 🏢 👤 COMPANY TYPES

16.46.1 🧑‍🤝‍🧑 Company types based on incorporation

Chartered Companies	Setup by a charter given by a king / queen. E.g. East India Company in 1600. (चार्टर्ड कंपनियां)
Statutory Companies	Setup by special acts of Parliament or State legislature. E.g. RBI, LIC, SBI. (वैधानिक कंपनियां)



☛ Registered Companies	Registered under the Companies Act, 1956 (and later 2013) e.g. Tata Motors, Infosys. (पंजीकृत कंपनियां)
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16.46.2 🏢👤 Company types based on number of members

	Private Ltd.	Public Limited Company (Companies Act 2013)
Members	Min. 2 to Max. 200	Min. 7 to Max. unlimited number (depending on how many shares issued & purchased by the people)
can they invite public at large, to buy shares /bonds?	Can't	⇒ A public ltd. company can invite public at large, to subscribe to its shares and bonds. ⇒ If their shares are listed on a stock exchange (BSE, NSE etc), it's a ' Listed Public Limited Company ' (e.g. Reliance), else it's an ' Unlisted Public Limited Company ' (e.g. India Post Payment Bank : IPPB)
Directors (Min-Max)	2-15	⇒ Min 3 to Max 15. out of them one must be Indian Resident, 1 must be Woman and 1/3 rd of the directors must be independent directors. ⇒ Independent directors are persons without any pecuniary interest in company, they are supposed to protect minority shareholders' interests. (अल्पसंख्यक शेयरधारकों के हितों की रक्षा करने के लिए स्वतंत्र डायरेक्टर)
Term limit	N/A	Their directors have age limit, term limit.
Corporate Governance Norms	Norms either not applicable or relaxed. UPSC-CSE≠CA	Companies Act requires them ⇒ to hold specific number of annual meetings of board of directors, norms for quorum, mechanism for e-voting, ⇒ have to appoint Company Secretary, ⇒ Implement mechanism for protecting whistleblowers And so on...

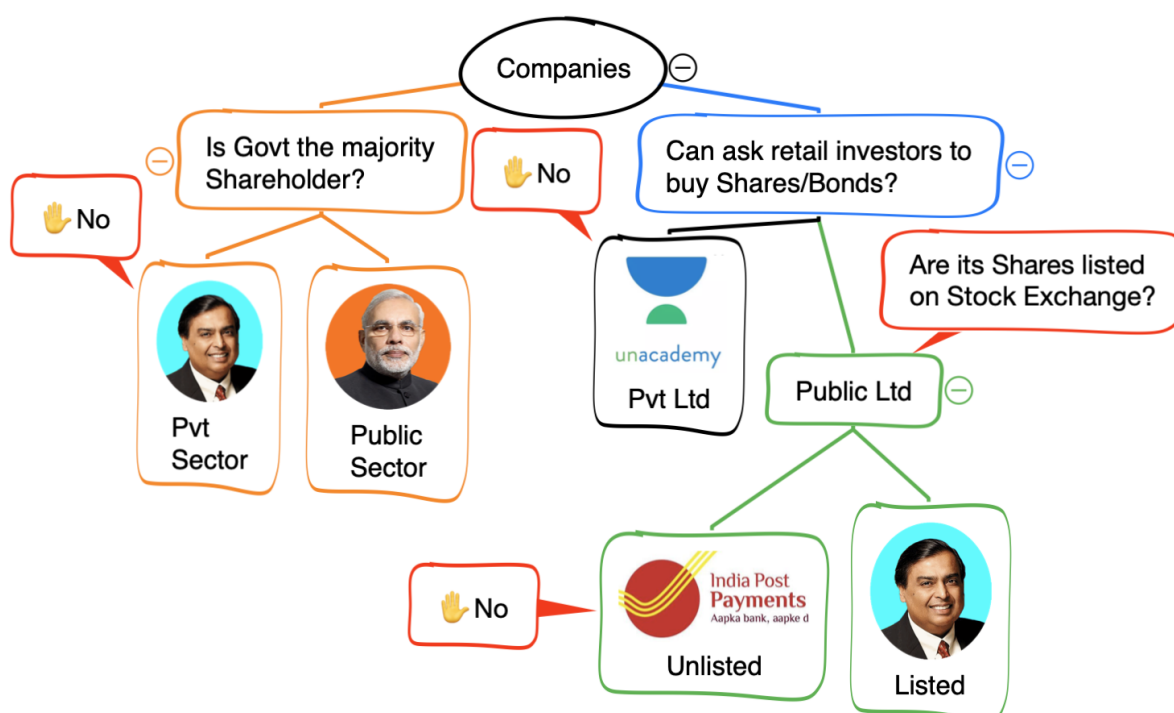
FAQ: How can pvt limited company have shareholding?

- ⇒ Ans. They can ask friends and family, venture capital funds, angel investors and other type of investors to invest in the company. They cannot put an advertisement in the newspaper that we are inviting the public at large to buy our shares. IF they want to invite public at large, → they need to convert registration from private limited company to public limited company.
- ⇒ Companies usually start as originally as private limited companies. e.g. Infosys (private ltd) in early 80s → when their business grows and they want more capital they will convert into public limited companies. → they will issue shares for the first time for the public at large → so we call it Initial Public Offer (IPO) e.g. same infosys (public ltd) in early 90s launched IPO..
- ⇒ In future same public ltd. company may also require more capital so again they will issue more shares for the the second time, third time etc. → then we call it Follow on Public Offer (FPO)



16.46.3 🏢👤 Company types based on Ownership

👤 Government / Public Sector / सार्वजनिक क्षेत्र	👤 Private Sector / निजी क्षेत्र की
When Government owns 51% / > shares. Examples: Steel Authority of India (SAIL), India Post Payment Bank (IPPB)	When private parties own 51% >. E.g. Reliance, Tata, Adani
Holding Company / नियंत्रक कंपनी A company that owns majority shares in another company. E.g. Tata Sons ltd. holds majority shares of Tata Consultancy Services (TSC), Tata Steel, Tata Sky etc.	Subsidiary Company / नियंत्रित कंपनी A company that is controlled by a parent holding company. E.g TCS, Tata Steel, Tata Sky are subsidiary co of Tata Sons.



16.46.4 🏢👤 Company Types: Misc.

Under Companies Act	⇒ One Person Company: special type of private ltd company having only one member. 📁 Budget-2021: One Person Companies (OPCs)- Legal reforms in Companies Act to [1) allow NRIs to easily register OPC in India [2) OPC can be converted to other types of companies any time ⇒ Not for Profit Company: e.g. GSTN, NPCi etc. their profit is re-invested in business expansion. They get certain tax benefits & relief in how frequently they've to submit data to MCA. (लाभ-रहित कंपनी, जो कंपनी मुनाफे के लिए नहीं बनाई गई) ⇒ Dormant Companies: A) setup to start business in future B) setup to store intellectual property C) not filled annual returns for two consecutive years. (निष्क्रिय/सुप्त कंपनी)
👤👤 Under	⇒ Limited Liability Partnership (LLP) Company is formed by minimum 2 or



LLP Act 2008 सीमित देयता भागीदारी अधिनियम	more partners. ⇒ Individual partners are shielded from joint liability created by another partner's wrongful business decisions or misconduct. E.g. Vajiram and Ravi IAS Study Centre LLP ⇒ LLP's registration fees, auditing/reporting norms, tax liabilities, winding up process etc. are more flexible than a (public or pvt) ltd. company registered under Companies Act. उनके लिए नियमों में रियायत/आसानी होती है।
Under Indian Partnership Act 1932	⇒ A Partnership firm is formed by minimum 2 or more partners. ⇒ Each partner is liable jointly with all the other partners for losses, wrongful biz. decisions and misconduct.

16.46.5 🏢👤 Corporate Governance → Small Companies given compliance relief

- ⇒ 📁 Budget-2021: Companies with paid up capital not more than ₹2cr & annual turnover not more than ₹20cr = treated as 'Small Companies'.
- ⇒ They'll be given relief in Companies Act related compliance e.g. how frequently they've to submit accounts and ownership related documents to the Ministry of Corporate Affairs etc.

16.46.6 🏢👤 Commercial Organizations: Other Types

PSU, CPSE	Ref: Pillar2: Disinvestment
MSME	Ref: Pillar1D: financial inclusion, Pillar4B
Startups	Ref: Pillar4B

16.46.7 👤👤👤 Corporate Governance → LLP settlement Scheme 2020

Faded topic. Deleting from handout

16.47 🛠️ STATUTORY BODIES IN MINISTRY OF CORPORATE AFFAIRS (MCA)

16.47.1 🛠️👤⚖️ Competition Commission of India (भारतीय प्रतिस्पर्धा आयोग)

- ⇒ Competition among companies= consumer gets goods and services at the most competitive / affordable prices. कंपनियों के बीच स्पर्धा होगी तभी तो ग्राहक को अच्छी सेवा और किफायती दाम में चीजे मिलेंगी
- ⇒ Therefore, government must prevent cartelization (price fixing or production fixing by a group of Companies), prevent monopoly (single company commanding the production / supply), protect consumers' interests and ensure freedom of trade.
- ⇒ 1970: Monopolies and Restrictive Trade Practices (MRTP) Act.
- ⇒ Later MRTP Act replaced with Competition Act, 2002- which has a statutory regulator Competition Commission of India (CCI: 1 Chairman + 6 Members)
- ⇒ In past, CCI has imposed penalties on cement companies, real estate companies. It is also investigating Airtel, and other telecom companies for alleged cartelization.
- ⇒ Competition (Amendment) Bill, 2022 to increase CCI's powers further. But mostly technical so I'm avoiding it for Poor cost:benefit.
- ⇒ Appeals against CCI are heard by National Company Law Appellate Tribunal (NCLAT)

16.47.2 Google pe Penalty by CCI

Refer to Pillar4B: service sector.

16.47.3 🛠️👤⚖️ Insolvency and Bankruptcy Board of India (IBBI)

This too is a statutory body under the Ministry of Corporate Affairs (MCA). Read Pillar#1B-2: NPA



Table 3: Bodies under Companies Act 2013

Features	National Company Law Tribunal (NCLT)	National Financial Reporting Authority (NFRA)	Investor Education & Protection Fund	Serious Fraud Investigation Office (SFIO)
	राष्ट्रीय कम्पनी विधि अधिकरण	राष्ट्रीय वित्तीय प्रतिवेदन प्राधिकरण	निवेशक एवं शिक्षा रक्षण कोष	गंभीर धोखाधड़ी अन्वेषण कार्यालय
Members	Judicial + technical. They've benches @Delhi, Kolkata, Jaipur etc.	Chairman + members	Boss: Corp. Affairs Secretary (IAS). Members from RBI, SEBI, financial experts	Civil servants & financial experts
Appeal	NCLAT (Appellate tribunal)	NFRAA (Appellate Authority)	Regular Courts	Regular Courts
Cases	Hear the cases related to Companies Act, Board room battles, Merger-Acquisition, Corporate Insolvency & Bankruptcy (I&B)	Sets standards for Auditors & (CA), in listed companies and large unlisted companies. If malpractices-> investigate and debar them, Powers of civil court.	They use unclaimed money from shares/bonds for financial literacy and awareness	Investigate white-collar (financial) frauds. Powers to search, seize, arrest. Once SFIO gets case, other agencies (like CBI) can't proceed.

16.47.4 Unclaimed shares and dividends of IEPF & 💰 Budget-2023



Figure 8: Image source: Agnipath (2012)

Investor Education & Protection Fund Authority (IEPF) is a statutory body in Companies Act, 2013.

⇒ Secretary (IAS) of Ministry of Corporate Affairs is the ex-officio chairman of this IEPF body.

⇒ IEPF looks after the unclaimed shares, bonds, dividends, interest etc.

⇒ IEPF uses such money for investor awareness.

⇒ 💰 Budget-2023: if a person wants to 'reclaim' the unclaimed shares and unpaid dividends from IEPF → we'll setup an IT portal to help him file such application.

16.47.5 🧐⚖️ Ministry of Corporate Affairs also associated with:

Chartered Accountants Act 1949	Regulates the CA profession through a Statutory body: Institute of Chartered Accountants of India (ICAI). ICAI also has IPA status under I&B Code.
Company Secretaries Act,	Statutory Body: Institute of Company Secretaries of India (ICSI).



1980	Also has IPA status. REF (More in Pillar#1B2)
Cost and Works Accountants Act, 1959	Statutory Body: Institute of Cost Accountants of India (ICAI). Also has IPA status. What does it mean? REF (More in Pillar#1B2)
Legislative Responsibilities of MCA	⇒ 1860: Societies Registration Act- for registration of literary, scientific and charitable societies. E.g. Sahitya Akademi, National School of Drama etc. जो मुनाफे के लिए नहीं लेकिन कला साहित्य विज्ञान के प्रसार के लिए बने ⇒ 1932: Partnership Act; Companies Act 1956 → 2013. ⇒ 2008: Limited Liability Partnership Act
E-governance initiatives of MCA	⇒ INC-29 online form to registration of new company. Later it was replaced with Simplified Proforma for Incorporating Companies (SPICe) online form. ⇒ MCA-21 portal, where companies can file online documents related to Companies Act compliance. MCA21 Version 3.0= this latest Version 3.0 portal will have additional modules for e-scrutiny, e-Adjudication, e-Consultation and Compliance Management.
Officers	Indian Corporate Law service (ICLS) via UPSC CSE-exam

16.47.6 Companies Act: EoD- Central Data Processing Centre in Budget-2023

- ⇒ In the past, Ministry of corporate affairs had launched many E-governance initiatives that helps the company to register and upload documents. Example MCA21, SPICe, SPICe+ etc. How do they work? What exactly do they do? NOT.IMP
- ⇒ Budget-2023: well - setup Central Data Processing Centre for faster processing of various forms filled by Companies under the Companies Act. How Exactly? Not.IMP
- ⇒ Benefit? Ease of doing business for the companies.

16.48 CORPORATE GOVERNANCE (कॉर्पोरेट शासन)



Figure 9: तुम मेरे पापा के दोस्त हो? - Cyrus Mistry

Shifted to Mains-QEP. Basically deals with how to ensure that company is run without any scams/scandals.

- ⇒ Companies Act has various provisions for it. E.g.
 - ⇒ Term limits on board of directors, Reservation for women directors.
 - ⇒ provision for independent directors to protect minority shareholders,
 - ⇒ How many companies can one Chartered Accountant audit?
 - ⇒ Protection for whistleblower, company secretary etc.
 - ⇒ SEBI can also issue some directives. E.g. splitting CMD post.
 - ⇒ Notable committee for improving corporate governance in India: Uday Kotak (2017).
- What does above things mean? Ans. **shifted to Mains Handout.**



16.48.1 💰 (🏢🗑️) CSR: Corporate Social Responsibility (कॉर्पोरेट सामाजिक जिम्मेदारी)

कंपनी ने अपने मुनाफे का कुछ हिस्सा समाज कल्याण में लगाना होगा

- Mandated under Companies Act 2013: Last 3 years' avg. profit → spend 2% of that on CSR (education, environment, public health, sanitation, disaster management etc.)
- Applicable on both public ltd and private ltd. with very huge profit / turnover / network
(*what's the difference between these terms, what's the exact figure? Ans. NOTIMP.*)
- Ministry of Corporate Affairs (MCA) gives National CSR Awards to companies.

AB CD MCQ. Find correct about CSR : (Pre'24-Set-C-Q60)

1. CSR rules specify that expenditures that benefit the company directly or its employees will not be considered as CSR activities.

2. CSR rules do not specify minimum spending on CSR activities.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

Note to Wakil-Babushone: CSR says spend 2% profit = so yes there is minimum spending rule. But some candidates became WAKIL ke CSR doesn't say minimum ₹5000 or ₹25000 so st2 is correct. But as per official UPSC answerkey st2 is wrong bcoz CSR specifies min 2% of profit spending. So life lesson: don't read Economy MCQ statement like an argumentative lawyer.

16.48.2 🧑🧑 NSE Prime regulation for corporate governance (2022)

- National Stock Exchange has developed this voluntary framework.
- It has a set of higher standards of corporate gov. for Companies listed on NSE stock exchange.

AB CD MCQ: 'NSE Prime', sometimes mentioned in news, denotes: (UPSC-EPFO-2023)

- (a) A high standard corporate governance initiative (b) Long-duration Sovereign Green Bonds
(c) Concessions and tax-holidays for hi-tech startup companies
(d) Special privileges for certain categories of Non-Banking Financial Institutions

16.48.3 🍀 Business Responsibility and Sustainability (BRSR) by SEBI

- 2012: SEBI introduced Business Responsibility Report (BRR)
- 2021: BRR evolved into Business Responsibility and Sustainability (BRSR).
- Top-Listed companies are required to disclose non-financial performance data such as employee well-being, environmental conservation, protection of human rights, etc.

AB CD MCQ. Find correct about Business Responsibility and Sustainability (BRSR) (Pre'25)

- I. RBI mandates all the listed companies in India to submit a BRSR Report.
- II. In India, a company submitting a BRSR makes disclosures in the report that are largely non-financial in nature.

Codes: (a) I only (b) II only (c) Both I and II (d) Neither I nor II



16.49 🍌🍌 TAKEOVER RELATED TERMS

- Sometimes in news because of the Elon musk purchase of Twitter ("X"). - We will not DO to the actual B.Com/MBA aspect of it. - We will get a very vague only, with some examples.

Friendly Takeover	Hostile Takeover
When board of director approve selling the company to another company.	where a person takes control of another company (the target company) without the consent of the target company's board of directors.
e.g. Ranbaxy sold to Sunpharma	e.g. How Elon Musk acquired Twitter ("X")

16.49.1 🍌🍌 Leverage Buy-Out (LBO)

- e.g. Elon Musk borrows money to takeover/acquire majority shareholding in Twitter ("X").
- Note: in real life, it is more complex, but we will not prepare MBA/B.Com here.

16.49.2 🍌🍌🍌 Poison Pill against Takeover by Twitter

- it is a strategy adopted by a Company (Twitter) to defend itself against hostile takeover (By Elon Musk). Generally involves giving extra shares to existing shareholder to make % shareholding composition unfavorable to new buyer who is trying to take over (Musk). HOW?NOTIMP

16.49.3 🍌 De-Merger When a company subdivided into multiple companies.

BEFORE → →	AFTER De-merger
1) ITC (Hotel, Cigarettes, FMCG ^{**})	1) ITC (Cigarettes, FMCG) 2) ITC (Hotel)
1) TATA Motors → →	planning to divide into (1) truck (2) cars & EV

^{**}FMCG = Fast Moving Consumer Goods e.g. soap, shampoo, toothpaste, potato-chips etc.

16.49.4 🍌🍌 Mock Questions for Mains

Mostly around measures for deepening the capital market, corporate governance, sovereign gold bond etc instruments, investor's charter etc. This handout deals with ONLY Prelims #RAFTAAR.

📄 Next Handout: 1D: Insurance, Pension, Financial Inclusion



1D1: Insurance, Pension & Financial Inclusion

 **FAQ: So many schemes/facts/GK? Do I've to remember such long list and factual GK?** Ans.

UPSC got into habit of asking microscopic facts from govt schemes since 2023, so I've given the facts.

आपसे होता है, उतना करो। मैंने फ्रीस ली थी, तो मैंने आपको माल दे दिया। अब तुम्हारे हवाले handout साथियों।

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17 🍷 INSURANCE (बीमा): MEANING AND SIGNIFICANCE

- Meaning: insurance policy is a Debt instrument / Legal contract against eventualities of death or damage. (मृत्यु या क्षति की घटनाओं के खिलाफ कानूनी अनुबंध).
- Indemnification = process of insuring someone/something & paying compensation, if any death/loss. (मृत्यु या नुकसान के समय क्षतिपूर्ति)
- 2 parties in this contract: 1) Insured / client 2) Insurer / Underwriter.
- Insurance provide stability to the households (against death, disability, damage) and entrepreneurs (against fire, theft, natural disasters etc.) (जोखिमों के सामने स्थिरता देता है।)
- Insurance companies invest clients' premium in various public and private sector projects, thereby channelizing savings towards investment & economic growth. (बीमा-किस्त के द्वारा लोगों की बचत को देश की आर्थिक वृद्धि की तरफ भेजा जा सकता है।)

17.11.1 Insurance Principles (सिद्धान्त: hindi not required)

- ⇒ **Uberrima fides**- Good faith, hide nothing. (e.g. if client has HIV +ve, but hiding it before buying health insurance)
- ⇒ **Indemnity**- Only "REAL" loss, not imaginary. (couldn't join IIM-A, because CAT-books burned in fire)
- ⇒ **Subrogation**- Insurer can recover from negligent 3rd party. E.g. client bought factory fire insurance → fire accident due to faulty boiler → insurance company can recover money from boiler maker.
- ⇒ **Causa Proxima** - Direct loss link. Bollywood fan can't buy policy for Actor Bachchan.
- ⇒ **Insurable interest**- If "risk-x" not happen, client remains in same position, "risk-x" happens client in bad position. (e.g. I didn't win lottery= Is not insurable interest.)

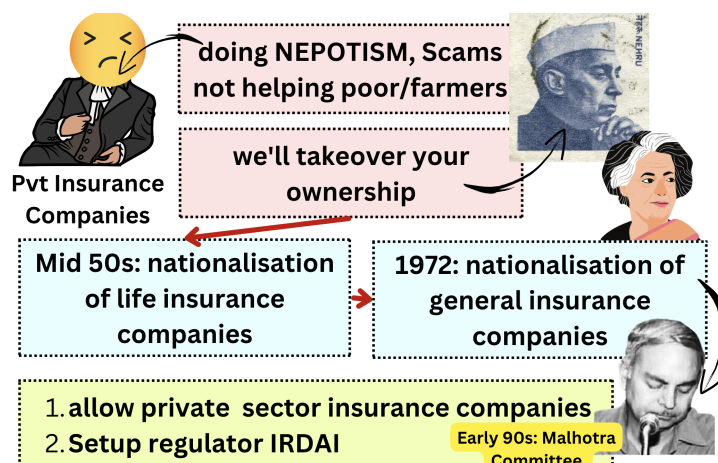
MCQ. The principle of subrogation in insurance allows (EPFO-2023) (a) investment of policy amount (b) refund for insured and insured's insurance company (c) auto-renewal of policy. (d) indemnification of the insured.

17.12 🍷 HISTORY OF INSURANCE IN INDIA (भारत में बीमा कं. का इतिहास)

- **(1818)**: Europeans started insurance companies in India, but they charged higher premium on Indian clients with racist bias that Indians belong to an inferior race = higher probability to die. (अंग्रेज कंपनियां भारतीय लोगों पर ज्यादा बीमा किस्त मांगते थे)
- **(1870)**: Bombay Mutual Life Insurance was the first Swadeshi life insurance company and they did not charge extra premium on Indian clients.
- **(1912)**: Life Insurance Companies Act to regulate them, but lax norms, so just like the banking industry, the insurance industry too faced problems in the aftermath of Great Depression in USA. So, **1938**: Insurance Act for tougher regulation. पहले कांड होते रहेते थी फिर कानून बनाया गया



- Just like the banking, the insurance industry had to be nationalized after independence due to scams, financial inclusion and Five-Year Plans. धांधली, वित्तीय समावेशन और पंचवर्षीय योजना के लिए राष्ट्रीयकरण

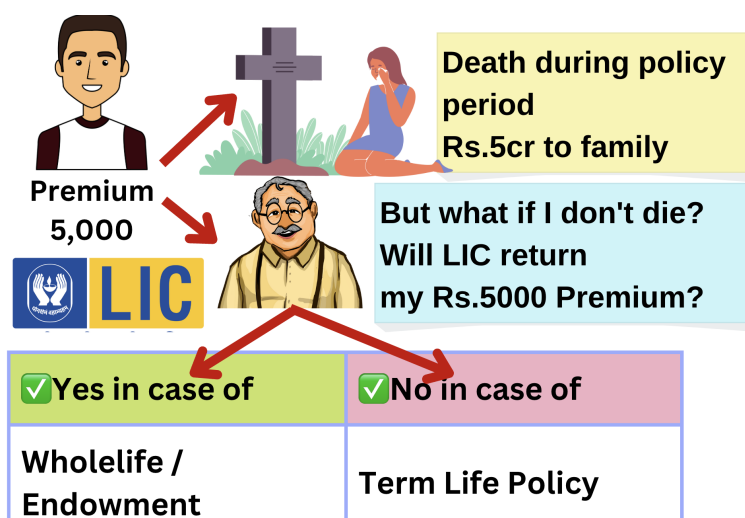


Chronology	👤 Bank	👤 Insurance
1948-49	RBI nationalized	----
1955	SBI nationalized	----
1956	----	LIC Act took over ~245 (private owned) Life insurance companies.
1969	Nationalization of 14 Private Banks	----
1972	----	GIC Act: GIC and its 4 subsidiaries takeover ~107 (private owned) General insurance companies.
1980	Nationalization of 6 Private Banks	----
Reforms सुधार समिति	Narasimham '91 & '98	• Malhotra Committee 1993 → Private insurance companies were allowed, FDI was liberalized • 2025: IRDAI setup Dinesh Khara committee to suggest reforms in Insurance Act 1938.
Safeguards सुरक्षा के लिए कुछ मानदंड	CRR, SLR, BASEL	Investment Pattern, Solvency Margin. E.g. They must invest minimum "x%" of premium in G-Sec, they can't invest more than "y%" of premium in pvt companies shares/debentures etc. They must not invest in companies having less than "AA" credit rating etc. Exact norms not imp.
Financial Inclusion, Welfarism	PSL norms 25% branches in unbanked rural areas	Rural & Social Obligation Norms: every year "x" number of policies must be sold in rural areas, PH/backward etc. Further Insurance companies required to invest minimum "x%" in affordable housing projects, State Govt's fire equipment etc. Else IRDAI



Chronology	👤🏠 Bank	👤 Insurance
		imposes penalty. ग्रामीण और सामाजिक दायित्व मानदंड
Delivery Channel	- Bank branch, - Business Correspondence Agent (BankMitra)	Insurance Intermediaries: (मध्यस्थ/ बिचौलिया) • Agents/brokers. • Bankers selling insurance (Bancassurance) • Surveyor/Loss Assessor (सर्वेक्षक). • Third Party Administrators (e.g. Hospital where treatment is given for health insurance जहाँ आप का इलाज हो)

17.13 🧠💀 LIFE INSURANCE → TYPES (जीवन बीमा प्रकार)



Life Insurance Type → Money returned?	📅 At maturity	💀 At death
Whole life = Longer policy: (e.g. 35-40 yrs)	Yes, savings returned with interest	YES
Endowment = Shorter policy: (e.g. 10-20)		
Term life = Short Policy, Low Premium e.g. PM Jeevan Jyoti Bima Yojana. (मृत्यु नहीं हुई तो बीमा किस्त वापस नहीं मिलेगी)	🙅 No	Yes
ULIP : Unit Linked Insurance Plans: Part of money goes in insurance, part in Mutual fund	Yes, savings returned with some profit	YES

17.13.1 🧠👤 IRDAI Reform → Surrender value in Whole-life/Endowment policies

e.g. If person bought whole-life/endowment policy but discontinued paying premium after 1–2 years. Then how much premium will insurance company refund = That is called surrender value?

whole-life/endowment policies	Before	After 2024-Reform
Surrender Value / Refund? → →	Zero Or very little	80–85% premium refunded



17.14 🍌👤🦁 LIFE INSURANCE → PUBLIC SECTOR (सार्वजनिक क्षेत्र के जीवन बीमा संस्थान)

17.14.1 🍌👤📮 Post Office Life Insurance (डाक जीवन बीमा)



- They've developed "DARPAN" PLI (Postal Life Insurance) App.

	Postal Life Insurance (PLI)	Rural Postal Life Insurance
Started from	1884	1995
Who can buy	- Employees in Panchayat/municipal employees, Public sector company, public sector banks, University, Cooperative bodies, - Private sector Professionals such as doctors, engineers, management consultants, chartered accountants, architects, lawyers, bankers etc. - Private sector companies employees IF it is a LISTED company employees of listed company (Ref: Pillar#1C)	For Villagers, schemes like Gram Suraksha, Gram Suvidha, Gram Santosh, Gram Priya, Gram Sumangal, etc.
Example schemes	Suraksha, Suvidha, Santosh, Sumangal, Yugal Suraksha, Bal Jiwan Bima	

👤 FAQ: can "X" person buy or not? Ans. Refer the list and apply common sense. If not able to apply common sense, THEN IGNORE this topic.

17.14.2 Post Offices Services: G2C and B2C

G2C (Government to Citizen)	B2C (Business to Citizens)
- Application forms for Pradhan Mantri Fasal Bima Yojana, Pradhan Mantri Street Vendors' Atmanirbhar Nidhi Yojana; Pradhan Mantri Jan Arogya Yojana (Ayushman Bharat); Pradhan Mantri Shram Yogi Maan-dhan Yojana; Pradhan Mantri Laghu Vyapari Maan-dhan Yojana; National Pension Scheme; - PAN card eKYC, Election Card Printing - e-Stamp (i.e. buying stamp-paper for property registration etc.)	- Post offices help the companies collect bill-money from citizens via Bharat Bill payment system bills (electric, gas, water bills, etc.), (Ref: Pillar#1A1) - Post offices help in Renewal premium collection for Life Insurance policies and General Insurance such as motor vehicle, health and fire insurance, etc.

👤 FAQ: What do these terms mean? Answer wait till pillar1 and 2 are over.



17.15 🍪👤🏠🦁 LIFE INSURANCE CORPORATION OF INDIA (1956)



- ⇒ To take over/nationalize the private life insurance companies → LIC Act, 1956. So, LIC is a **statutory corporation/statutory company**. (वैधानिक निगम)
- ⇒ Name of LIC HQ@Mumbai & its magazine = “योगक्षेम” (Yogakshema: well being, from Rigveda)
- ⇒ LIC motto: “योगक्षेमं वहाम्यहम्” (Yogakshemam Vahamyaham:- I ensure safety and well being (of my devotees, from Gita)

17.15.1 LIC is regulated under following acts

1956	Life Insurance Corporation of India Act
1938	Insurance Act
1999	Insurance Regulatory and Development Authority (IRDAI) Act

17.15.2 LIC's Aam Aadmi Bima Yojana (AABY) for BPL (2007)

Beneficiary? below poverty line (BPL) and marginally above poverty line (APL) citizens in various occupations like carpenter, cobbler, blacksmith etc. What is BPL/APL? (Ref: Pillar#6: Poverty)

Death	₹30,000
Disability	₹37,500 to 75,000
Child scholarship for class9-12 and ITI courses	₹1200 per year

Who pays premium?

premium paid by	Amount
Union Government's social security fund inside LIC	₹100
Beneficiary (OR State/Central Dept if they want to pay on behalf of beneficiary)	₹100
Total Premium	₹200

17.15.3 🍪👤🏠🦁 LIC's Disinvestment (2020, विनिवेश)

- 📁 Budget-2020: LIC Act will be amended → LIC : Initial Public Offering (IPO) → Government will sell part of its shareholding. 2022: SEBI permitted IPO.
- Govt sold 5% of its 100% shareholding. (more about this IPO: refer to Pillar1C: Sharemarket)

17.15.4 🍪👤 PM schemes for Life Insurance & Accidental (Gen) insurance (2015)



Figure 1: सराब पी के मर गए देवदास बाबू तो PM-सुरक्षा बीमा योजना में कुछ नहीं मिलेगा!



Table 1: 2015: Finance Ministry → Dept of Financial Services launched these two schemes.

Features	👤👤👤👤👤👤👤👤 Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)	👤👤👤👤👤👤👤👤 Pradhan Mantri Suraksha Bima Yojana (PMSBY)
Age	18-50 years with bank account in India. NRIs eligible but payment in rupee currency only.	18-70 years. Remaining same as PMJJBY
Purchase from	LIC or any empaneled pvt. life insurance company.	4 Public Sector, or any empaneled pvt. General Insurance company.
Premium	- Rs. 436 per person/ annum. - (before 2022, it was ₹330)	- Rs.20/- per person/ - (Before 2022, it was ₹12)
Type	LIFE Insurance	General Insurance
Nature of Plan	1 year “term” LIFE insurance. Term LIFE insurance = no death, no money returned.	1-year “term” accident cum death insurance.
Return?	Any type of death: ₹ 2 lakhs किसी भी प्रकार की मृत्यु पर परिवार को मुआवजा मिलेगा	Accidental Death: murder, natural disaster etc. ₹2 lakhs - Loss 1 eye/hand/leg: 1 lakh - Loss 2 organs/>: max. 2 lakhs Suicide, alcohol-drugs related death: not eligible

- Neither scheme gives hospitalization cost. (अस्पताल में चिकित्सा खर्च के बिल की अलग से कोई राशि नहीं मिलेगी)
- In both scheme, premium money auto-debited from bank account, after person applies. (बैंक खाते में अपने आप फ्रीस का पैसा कट जाता है)

17.16 🍌🍌🍌🍌🍌🍌 GENERAL INSURANCE (सामान्य बीमा)

An insurance policy other than ‘life insurance’, is called General Insurance. e.g. Accident Insurance, Health Insurance, Crop Insurance, Fire-Theft-Marine & Vehicle Insurance. दुर्घटना बीमा, स्वास्थ्य बीमा, फसल बीमा, आग-चोरी-समुद्री और वाहन बीमा

17.16.1 🍌🍌🍌🍌🍌🍌 Public Sector General Insurance Entities: Timeline (समय रेखा)

1948	Employees' State Insurance Corporation (ESIC) under Labour Ministry – through an act of Parliament to protect selected category of workers. मजदूरों का स्वास्थ्य बीमा
1957	Export Credit Guarantee Corporation of India (ECGC: निर्यात ऋण गारंटी निगम) under Commerce Ministry. Gives insurance cover to exporters, and credit guarantee to Bank/NBFC who loan to exporters.
1961	DICGC Act: banks must buy deposit insurance from it. Although not considered a General Insurance Company in textbook sense because doesn't directly sell insurance policy to any individual person/bizman. (पाठ्यपुस्तक की परिभाषा में उसको बीमा कंपनी नहीं बोल सकते)
1972	General Insurance Nationalization Act: 107 (private) general insurance companies were



	taken over by GIC and its 4 subsidiaries (viz. National insurance, New India Assurance, United India, Oriental).
2002	Agriculture Insurance Company Ltd, (formed with funding of GIC, above 4 public sector Gen. Insurance Cos and NABARD.) कृषि बीमा कंपनी

2018: Budget announced to **merge** (विलीनीकरण) National Insurance Company, United India Insurance Company, Oriental India Insurance Company- but the plan has not materialized yet.

17.16.2 🍌🚗🌽🍌: (👤) General Insurance Business (Nationalisation) Amendment Bill, 2021

General Insurance Nationalisation Act 1972 (सामान्य बीमा राष्ट्रीयकरण कानून)	General Insurance Business (Nationalisation) Amendment Bill, 2021
Five General Insurance (GI) Companies brought under Govt control 1) General Insurance Corp of India (GIC) 2) National Insurance, 3) New India Assurance, 4) Oriental Insurance 5) United India Insurance.	To facilitate privatization of these public sector/Government owned GIs. सामान्य बीमा क्षेत्र की सरकारी कंपनियों के निजीकरण का रास्ता आसान बनाने के लिए विधेयक
Majority shareholding (minimum 51%) must remain under Government control (बहुमत शेयरहोल्डिंग सरकार के हाथ में अनिवार्य रूप से होनी चाहिए)	Removed this rule. So, in future, govt may sell its majority shareholding to private party (e.g. Adani/Ambani etc) [इन पांच कंपनियों में बहुमत शेयरहोल्डिंग सरकार के पास होना अनिवार्य नहीं यानी कि निजी क्षेत्र का आदमी भी मालिक बन सकता है]

👤 **Pro-Arguments?** Privatization will help in Professionalism, Profitability, Customer responsiveness of these Govt companies (निजीकरण के पक्ष में तर्क: पेशेवर तरीके से संचालन होगा, मुनाफा बढ़ेगा, ग्राहकों की सुविधा बढ़ेगी)

👤 **Anti-Arguments?** Shifted to Mains Handout.

17.16.3 🏠 Seasonal establishment, Casual Worker and some other words

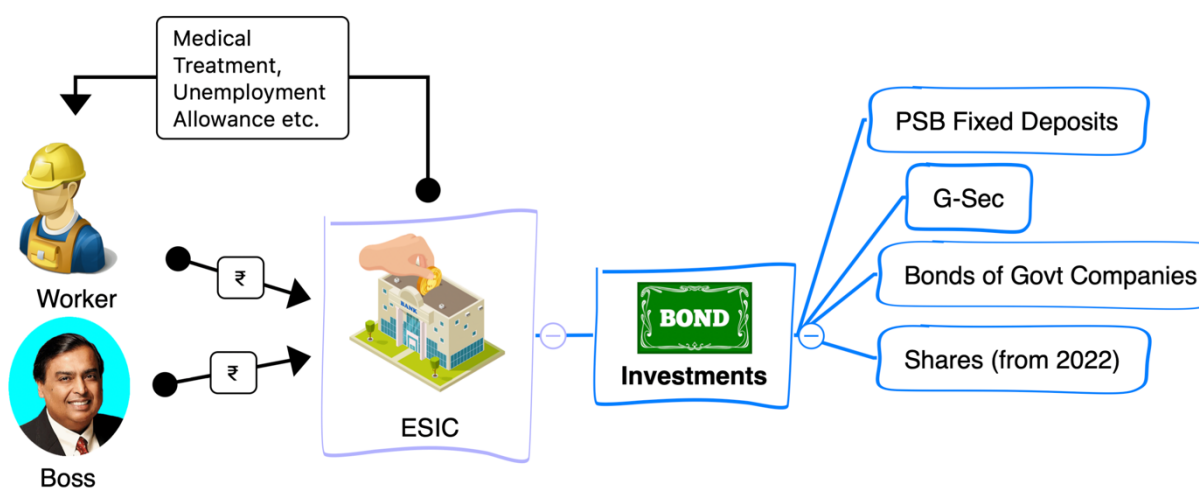
Word	Meaning	ESIC (health insurance)	EPFO (Pension) Ref: Pill1D2
Seasonal establishment मौसमी इकाई	Where the factory/shop is not working for whole year e.g. marriage orchestra, salt-pan on seashore, horse-ride operators in hill station, sugarcane farms, Diwali-firecrackers, tea plantation etc.	Not covered	Salient / not openly mentioned.
Casual worker अनियत श्रमिक	When worker employed for only a few days/weeks by the boss. e.g. construction worker, sugarcane mill worker, temporary gardener in Infosys office etc.	Covered*	Covered*
Unorganized	e.g Cobblers, blacksmith, carpenter, coolie	No.	No



Word	Meaning	ESIC (health insurance)	EPFO (Pension) Ref: Pill1D2
sector worker असंगठित क्षेत्र	etc. More in Pillar4C: unemployment		
Organized sector workers	e.g. those working in registered factory, company, etc. More in Pillar4C: unemployment	Yes*	Yes*
Informal worker	When worker doesn't have paper/formal job contract with employer (अनौपचारिक)	No	No
Formal worker	When worker has paper/formal job contract with employer (औपचारिक श्रमिक)	Yes*	Yes*

*provided ke other conditions are met abt minimum number of workers in a factory, salary level etc.

17.16.4 🧑‍🏭 (🔧🔨) Employees' State Insurance Corporation



- **1948:** Employees' State Insurance Act → **1952:** ESIC corporation (ESIC) setup under Labour Ministry. (कर्मचारी राज्य बीमा निगम, श्रम मंत्रालय)

ESIC applicability?	BEFORE	🧑‍🏭 ATMA-NIRBHAR (2020)
any non-seasonal establishment with 10/> employees	Compulsory	Compulsory (अनिवार्य)
If establishment less than 10 workers → but it's a hazardous industry e.g. (firecrackers, toxic chemicals, acid)	Voluntary (स्वैच्छिक/वैकल्पिक)	Compulsory (खतरनाक उद्योगों के मजदूरों का क-रा-बी-नि में पंजीकरण अनिवार्य)
If establishment less than 10 workers → Non-hazardous industries	Voluntary (स्वैच्छिक/वैकल्पिक)	Voluntary (स्वैच्छिक/वैकल्पिक)

- 🧑‍🏭 **Who are ESIC subscribers?** Employee in above establishment, with monthly salary less than ₹21,000/-



- 🧑🏫👤👤 Who pays ESIC premium? “x%” of employee’s wages+ “y%” from employer’s side.
- What is X and Y? notimp unless preparing for ESIC/Insurance Exams. Furthermore, Factoids like ESIC vision-2022 to enrol 100 million workers. notIMP4UPSC
- ESIC covers both permanent employees & casual/temporary employees (= employed only for a few days/weeks/months.) स्थायी-कर्म और अस्थायी/अयाथवधि-कर्म दोनों को लाभ मिलता है।

17.16.5 FAQ: Seasonal vs Temporary (Casual)

Seasonal industry (मौसमी उद्योग)	(Casual) Temporary worker in non-seasonal
Farm laborer, salt-pan worker, marriage orchestra, marriage catering etc.	⇒ e.g. worker employed in a newspaper factory for 1 month. ⇒ Newspaper company itself is non-seasonal. ⇒ But worker is ‘temporary’.
NOT Eligible for ESIC	YES Eligible for ESIC

17.16.6 🤖 An ESIC subscriber gets following benefits:

- 1) Medical insurance for the worker and his family from day#1 of joining (स्वास्थ्य बीमा)
- 2) Maternity Benefit to women employees (मातृत्व लाभ)
- 3) Monthly pension to family, if worker dies by employment related injuries. Corona-2020-21 → if worker died of Corona, family member to be given pension. (originally such pension was to be given for workers’ death in factory employment related accident, and not for corona illness.)
नौकरी करते वक्त ऑफिस/फैक्ट्री में हादसे के चलते मजदूर मर गया तो परिवार को पेंशन।
- 4) Sickness benefit: partial wages during medical leave. (बीमारी प्रसुविधा)
- 5) Monthly payment on disability (विकलांगता मासिक भुगतान)
- 6) Unemployment allowance if involuntary loss of employment- through the scheme ‘Atal Bimit Vyakti Kalyan Yojna’. Previously it was called: “Rajiv Gandhi Shramik Kalyan Yojana” (अटल-बीमित कल्याण = अनैच्छिक रूप से उसकी नौकरी चली गई तो बेरोजगारी भत्ता)

One IP-Two Dispensaries	e.g. if insured person (IP) is a migrant worker in Surat, while his family living in Bhubaneshwar then they can take benefit in two hospitals 1) at Surat 2) at Bhubaneshwar
E-Pehchan	Digital id cards for ESIC beneficiaries
Abhiyan Indradhanush	ensuring the change of bed sheet according to rainbow pattern during the week, i.e., to be changed everyday;
Nirman Se Shakti/ ESIC 2.0	‘initiative to modernize the infrastructure of ESIC hospitals
🕯️ Project Panchdeep	digitization and automation of ESIC processes by WIPRO (2017)
🏠📧 Project Arrow	Modernization of India Post (2008) डाक विभाग का आधुनिकीकरण

17.16.7 🦁(🔧🔧) ESIC: 15% investment in Shares

😞 BEFORE	😄 After 2022-Reform
ESIC invested subscribers premium/fees/corpus	upto 15% of the fund will be invested in



🤖 BEFORE	😄 After 2022-Reform
in 1) fixed deposits in the banks 2) debt instruments (e.g. G-Sec, Companies' bond debentures)	equities (shares). Remaining 85% in G-Sec, Bond, FD etc fixed return debt instruments.
Problem: return on investment (ROI) not very high; because BankFD/ G-Sec/Bonds etc are fixed interest instruments.	😄 Benefit? If the share market performance positively, then ESIC could earn more profits. This will help ESIC to cover the cost of running hospitals in a sustainable manner

AB CD ? Consider the following: [Asked in UPSC-Pre-2012]

1) Hotels and restaurants 2) Motor transport undertakings 3) Newspaper establishments 4) Private medical institutions. The employees of which of the above can have coverage under ESIC?

(a) 1, 2 and 3 only (b) 4 only (c) 1, 3 and 4 only (d) 1, 2, 3 and 4

17.17 💊 GEN → HEALTH INSURANCE SCHEMES (स्वास्थ्य बीमा योजनाएं)

17.17.1 🧑 Standalone health insurers (SAHI)

- these general insurance company only offer health insurance. They do not offer other general insurance policies such as vehicle insurance, home / factory insurance etc.
- e.g. Star Health, Care Insurance, Niva Bupa, Aditya Birla Health, ManipalCigna

17.17.2 💊 Types of Health insurance policies: Individual vs Floater Health Insurance

Individual health insurance policy	Floater health insurance policy
Covers 1 person ONLY.	Cover person and his family members. e.g. PMJAY scheme covering whole family.

17.17.3 💊 Types of Health insurance policies: Fixed vs Indemnity based

Fixed Benefit (निश्चित लाभ)	Indemnity Based (क्षतिपूर्ति आधारित)
Fixed payment given depending on illness. ⇒ If the Policy agreement said "if you get cancer, we'll give you ₹50 lakhs." ⇒ So, even if a patient spends ₹10 lakh on hospitalization, still the company will pay ₹50l. इससे कोई फर्क नहीं पड़ता कि हॉस्पिटल का बिल कितना आया आपको एक निश्चित रकम दी जाएगी	Upto to the "actual hospitalization cost" from the total insured sum. ⇒ "Indemnity" = upto actual cost in treatment, subject to max limit. so, if ₹5 lakh ki policy= ⇒ Actual treatment cost ₹2 lakh → company pays only ₹2 lakh ⇒ Actual treatment cost ₹7 lakh → company pays max ₹5 lakh <u>Further Subtypes</u> ⇒ Cashless policy: patient simply goes to an empanelled hospital = free treatment. ⇒ Non-Cashless policy: patient first pays hospital bill from own pocket → submits bills to



Fixed Benefit (निश्चित लाभ)	Indemnity Based (क्षतिपूर्ति आधारित)
	insurance company → gets refund.
e.g. SBI Corona Rakshak Policy Rs. 700 premium → fixed benefit of ₹50,000	e.g. (1) SBI Corona Kavach Policy. Premium ₹4848, coverage upto ₹5 lakh. (2) PM-JAY schemes for poor

17.17.4 🍬💡 Gen → Health Insurance → Corona Kavach vs Rakshak

Read above table carefully. although i'd not loose sleep over it, as its getting a faded/outdated topic.

17.17.5 🍬💡🤖: 🤖 Arogya Sanjeevani Policy & SARAL JEEVAN BIMA insurance policies

Sufficient to know, these are insurance policies by public and private sector insurance companies.

More details deleted because topic faded/outdated for 2023/24 exam cycles.

17.17.6 🍬🤖 Niramya Health Insurance for PH. 🖐️ OLD SCHEME DONOT-LOOSE-SLEEP

- Boss? By Dept. of Empowerment of Person with disabilities (दिव्यांगजन सशक्तिकरण विभाग) → Oriental Insurance Company. 🤖 Benefit? upto ₹1 lakh health insurance for handicapped
- Premium? upto ₹250-500, depending on poverty level.

17.18 🍬💡📅 / 🤖📅 / 📅 AYUSHMAN BHARAT / PM JAN AROGYA YOJANA (PMJAY)

			
	Rashtriya Swasthya Bima Yojana (2008)	PM Jan Arogya Yojana (PMJAY-2018)	Governing Board
Coverage per family	Upto Rs.30,000	upto Rs.5 lakh	National Health Authority (NHA) & its CEO
How many persons covered?	upto 5 people per family	No limit.	State Health Agencies
How many families covered?	LESS	8cr in Rural 2cr in Urban =10 cr families	Hospitals: public & private sector

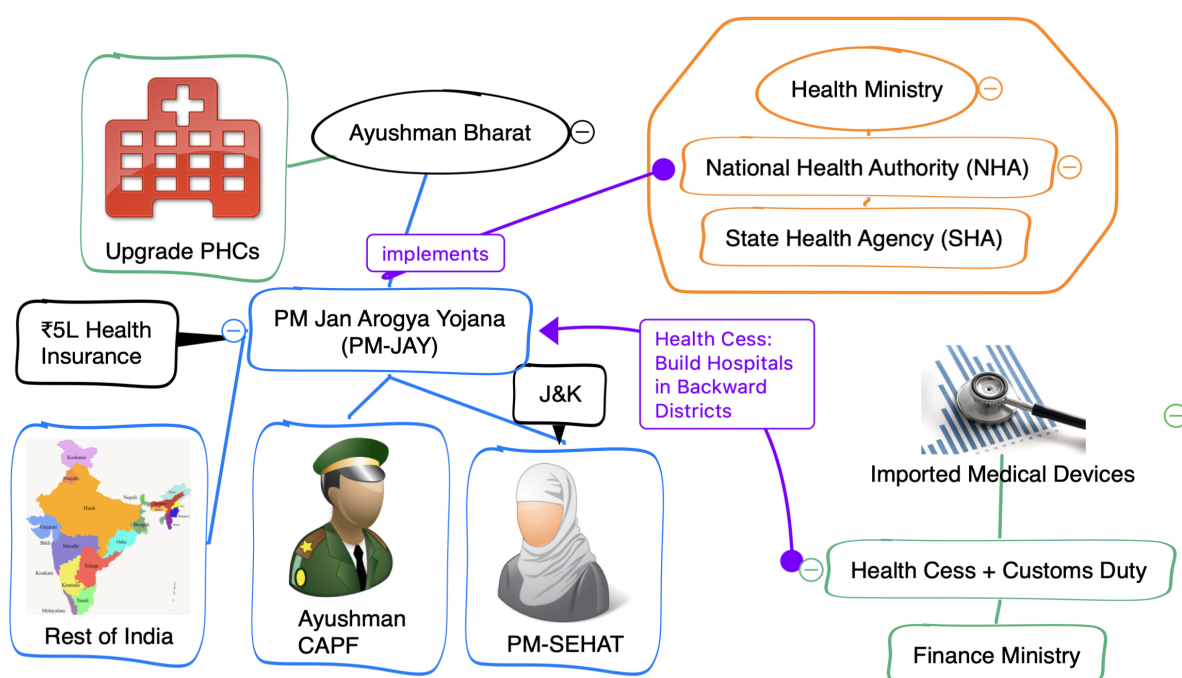
in Budget 2018 launched Ayushman Bharat with two components:

- 1.5 lakh Primary Health Care Centers (PHC) to be transformed into Health & Wellness Centres with Free drugs, checkup, mother-child care etc. (स्वास्थ्य और कल्याण केंद्र अब वो बेहतर बनाएंगे।)
- National Health Protection Scheme (AB-NHPS) → Later renamed 'PM Jan Arogya Yojana (PMJAY)' and launched with Motto "Swasthya Aapka, Saath Hamara"**
 - It has subsumed Rashtriya Swasthya Bima Yojana (RSBY) & Senior Citizen Health Insurance Scheme (SCHIS).



17.18.1 🧑🏻🧑🏻🧑🏻 5L / 🏠 / 📅 PM Jan Arogya Yojana (PMJAY, 2018)?

- ⇒ What is given? A FREE insurance cover upto ₹ 5 lakh per family, per year for secondary and tertiary hospitalization.
- ⇒ All pre-existing disease covered from day 1.
- ⇒ Also covers 3 days of pre-hospitalisation and 15 days of post-hospitalisation expenses.
- ⇒ Cashless and paperless access [NITI Aayog running web portal, with privacy protection]
- ⇒ 🧑🏻♀ Beneficiaries? Socio-Economic Caste Census (SECC: सामाजिक आर्थिक जाति जनगणना) data → + 8 cr rural + 2 cr urban = 10 cr families = ~50 crore people.



- ⇒ No limit (= No cap) on family size. No limit on age. (परिवार में कितने सदस्य, उनकी क्या उम्र है- कोई सीमा नहीं)
- ⇒ Where to get treatment? (इलाज कहाँ पर होगा) = All public hospitals and empaneled private hospitals (by the respective States). [इलाज होगा सरकारी अस्पताल और राज्य सरकार द्वारा अधिकृत निजी अस्पताल में]
- ⇒ Hospitals to have Pradhan Mantri Aarogya Mitras (PMAMs/hospital-receptionist-type-ke-log) to help/guide patients in this scheme. These PMAMs are trained by Ministry of Skill Development. (कौशल्य विकास मंत्रालय द्वारा आरोग्य मित्र को तालीम)

17.18.2 PM-JAY Sub-schemes

1. PM SEHAT (Social Endeavour for Health and Telemedicine) 2020- जम्मू कश्मीर के सभी निवासियों के लिए
 - a. BEFORE: 6 lakh families of the J&K getting Ayushman Bharat Scheme. (= poor family selected through socio economic caste census 2011)
 - b. AFTER PM SEHAT: All residents of J&K (=21 families, rich-poor everyone) eligible for ₹5 lakh health insurance of PM-JAY scheme. Even if they are traveling outside Jammu Kashmir, in other parts of India, they can avail treatment at PM-JAY-walli hospitals.
2. Ayushman CAPF scheme (2021-Jan) केंद्रीय सशस्त्र पुलिस बल
 - a. Joint initiative of Home Ministry & National Health Authority



- b. For Assam Rifles, Border Security Force (BSF), Sashastra Seema Bal (SSB), Central Reserve Police Force (CRPF), Central Industrial Security Force (CISF), National Security Guard (NSG), and Indo-Tibetan Border Police (ITBP)
- c. Their family members also covered

FAQ by Zhande-walle Babushone: NSG is not under CAPF category. Ans. It is [under CAPF list](#)

17.18.3 PM-JAY: all senior citizens aged 70/> covered (2024-Sept)

senior citizen aged 70/above	BEFORE	After 2024-Sept Reform
from middle class & rich families	N/A	- eligible for ₹5 lakh health insurance under PMJAY - even if they had joined other private health insurance company policy or ESIC, still, they are eligible. (हाँ मिलेगा, भले वो वरिष्ठ नागरिक मध्यम वर्गीय या अमीर परिवार से हो)
from poor family, which was already covered in PM-JAY	entire family had ₹5 lakh quota.	senior citizen to get additional top-up cover ₹5 lakh per year for themselves (which they do not have to share with younger family members.) (गरीब परिवार को तो पाँच लाख का है, ही लेकिन उसमें बुजुर्ग को अलग से अतिरिक्त पाँच लाख का कोटा।)

17.18.4 PMJAY → National Health Authority (राष्ट्रीय स्वास्थ्य प्राधिकरण)

- Originally it was an “Agency”, then restructured & renamed into “Authority” (2019).
- NHA oversees the implementation of PM-JAY, operational guidelines, collaborate with insurance companies & IRDAI, running web-platform etc. (योजना को क्रियान्वित करेगा, बीमा कंपनियों के साथ तालमेल बिठाएगा)
- NHA is an ‘**attached** (adjunct) office (संलग्न कार्यालय)’ with health ministry (स्वास्थ्य मंत्रालय). i.e. Health Ministry only looks after parliamentary matters like replying in question hour, annual reports etc. thus giving NHA more freedom in day to day functions. (रोजाना कार्यों में मंत्रालय की दखल कम)
- NHA has a Chief Executive Officer (CEO) with status of **Secretary** to Govt of India (सचिव).
- Above NHA → “Governing Board” with following composition: (शासक-मंडल)
 - **Chairman:** Minister of Health & Family Welfare (स्वास्थ्य-परिवार कल्याण मंत्रालय)
 - **Members:** NITI Ayog CEO, NHA-CEO & other govt officials and experts (विशेषज्ञ).
 - States will be represented in the Governing Board on rotational basis (चक्रानुक्रम).

17.18.5 Ayushman Bharat Digital Mission

NHA also implements “Ayushman Bharat National Digital Health Mission” (Basically Sarkaari-google-drive mein x-ray report store kro yojana!) More in Pillar#6:health schemes

17.18.6 PMJAY → State Health Agency (SHA)

- Each State to form a State Health Agency (SHA: राज्य स्वास्थ्य एजेंसी) to get the scheme implementation.



17.18.7 PMJAY → Funding / Cost:sharing

	Category (श्रेणी)	Cost sharing (खर्च की साझेदारी)
A	"Special Category States" (विशेष श्रेणी के राज्य): - North-Eastern States, and - TWO Himalayan Hilly States: Himachal Pradesh and Uttarakhand [#]	Union contributes 90%: while State contributes 10% of the cost
B	- Other States: not in above category (UP, Bihar, etc.) - Union territory (UT) with legislature: Delhi, Puducherry, Jammu & Kashmir. (विधायिका वाले केंद्र शासित प्रदेश)	60:40
C	- UT without legislature: Ladakh, Andaman Nicobar etc. (बिना विधायिका के केंद्र शासित प्रदेश)	100%

- [#]Before the removal of Article 370 (in 2019), the State of J&K was previously in Special category, so it got 90:10 funding.
- **Afterwards:** J&K is UT with legislature, so, J&K will get 60:40. So, 2019-Aug: Central Government considering creating a new category 'Hill Union Territory (पहाड़ी केंद्र शासित प्रदेश)' so J&K may continue to received 90:10 funding. But, no need for 🎓👉🕒थोड़ा-पढ़ो-आगे-बढ़ो

17.18.8 🤖PM-JAY Challenges:



**Shortage of
Doctors & Hospitals**



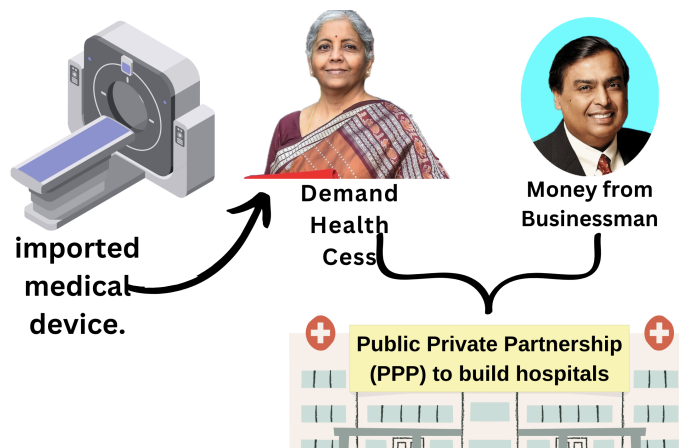
**Shortage of
Funds**



**some Non-BJP states
not implementing**

Shifted to Mains Handout.

17.18.8.1 🍋PM-JAY- taxes to build hospital?



- ✓ Govt to setup hospitals in aspirational (=backward) districts for treatment of PM-JAY beneficiaries. (आयात होने वाले चिकित्सक उपकरणों पर स्वास्थ्य उपकरण लगाकर उस पैसों से पिछड़े जिलों में अस्पताल बनाएंगे)



- ✓ Hospital construction Funding: Public private partnership (PPP) → Public side's funding will be provided using ₹ from health cess on imported medical devices.
- ✓ (More about health cess in Pillar#2-Taxation)

MCQ. Which is not a feature of the Ayushman Bharat Scheme? (CDS-i-2020)

- There is no cap on family size and age. (परिवार की सदस्यों की संख्या और आयु पर कोई सीमा नहीं)
- The scheme includes pre- and post-hospitalization expenses.
- A defined transport allowance per hospitalization will also be paid to the beneficiary.
- The scheme provides a benefit cover of Rs. 10 lakh per family.

MCQ. Ayushman Bharat is a national health insurance system for: (UPSC-Geologist-2020)

- women
- every citizen
- old age people
- poor and vulnerable.

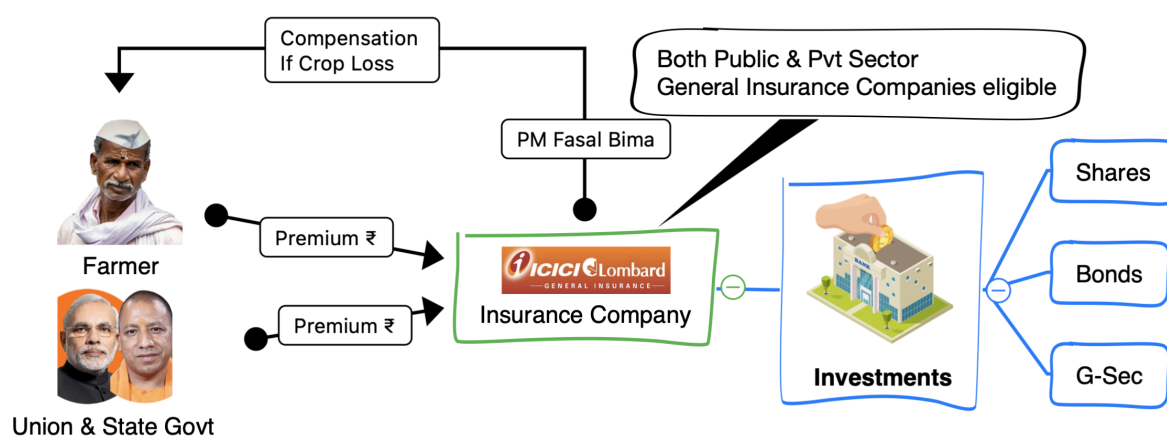
MCQ. Which are the benefits of the Pradhan Mantri Jan Arogya Yojana? (CDS-i-2019)

- Free treatment available at all public and empanelled private hospitals.
- Cashless and paperless access to quality health care services. नकदी रहित और कागज रहित प्रशासनिक प्रक्रिया
- Govt provides health insurance up to ₹ 5 lakh per family per year.
- Pre-existing diseases are not covered. पहले से मौजूद बीमारियों को कवर नहीं किया जाता है

Codes: a) 1 and 3 only b) 1, 2 and 3 c) 2 and 4 only d) 2, 3 and 4

17.19 GENERAL INSURANCE → OTHER THAN HEALTH INSURANCE

17.19.1 Pradhan Mantri Fasal Bima Yojana (2016)



- **Nodal Ministry:** Agri Min → Public sector general insurance companies, and empanelled private sector insurance companies. (सरकारी सामान्य बीमा कंपनियां तथा निजी क्षेत्र की ऐसी सामान्य बीमा कंपनियां जिनको कृषि मंत्रालय ने इस योजना लागू करने के लिए सूचीबद्ध किया है)
- Against natural calamities, pests, diseases; (प्राकृतिक आपदाएँ, कीट, बीमारियाँ;)
- Protects before, during and after harvest (फसल की कटाई).



- Premium (बीमा-किस्त) paid by farmers against the total insured amount: Rabi winter crops (1.5%)
- Kharif summer monsoon crops (2%) – Horticulture & Commercial crops other than oilseed & pulses (5%). Remainder premium is paid by Union: State Gov. It's optional for States to join.

17.19.2 🧑🌾🌽 PM-FBY (2.0) reforms in 2020

Before-2020	From 2020-Kharif
Suppose a kharif crop insurance premium = ₹100. ⇒ Farmer paid ₹2 of the premium ⇒ Union paid ₹49 + State paid ₹49. In other words, Union and States shared their premium burden half-half (50:50).	Suppose a kharif crop insurance premium = ₹100. ⇒ Farmer pays ₹2 of the premium ⇒ Union pays only ₹25 to 30 based on whether it's irrigated or unirrigated respectively. ⇒ State may have to pay ₹68-73. So, states' burden increased. ⇒ However, the Union will bear 90:10 of the burden in case of North Eastern States.
Compulsory for farmer to buy this insurance policy, IF he wanted crop loans from bank	Voluntary (स्वैच्छिक) for farmers. (बैंक लोन पास करवाने के लिए किसान को यह योजना यह बीमा निकलवाना अनिवार्य नहि)
-----	Updated methodology for assessment of crop loss

17.19.3 🧑🌾🌽 Tech solutions for PM Fasal Bima by Agri Ministry

initiative	Objective? (उद्देश्य)
🌧️ WINDS Portal	Rain and Weather data collected from Gram Panchayat level
📱 AIDE/Sahayak App	Agent can use it for door-to-door enrollment of farmers.
📄 YES-Tech Manual	contains the step-by-step procedure on how to assess the crop damage.

AB CD ? MCQ. Find correct statements about 'Pradhan Mantri Fasal Bima Yojana': (Prelims-2016)

- Under this scheme, farmers will have to pay a uniform premium of 2% for any crop they cultivate in any season of the year. किसी भी फसल में सिर्फ 2% बीमा किस्त किसान ने चुकानी होगी
 - This scheme covers post-harvest losses arising out of cyclones and unseasonal rains.
- Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

17.19.4 🧑🌾🌽 Other Agriculture Insurance Schemes? (अन्य कुछ फसल बीमा योजना)

- Apart from PM Fasal Bima, there is Restructured Weather Based Crop Insurance Scheme (RWBCIS, 2016)- protects against weather only. (so not pests/diseases).
- There was a National Agricultural Insurance Scheme and Modified (NAIS), but PM Fasal Bima subsumed it. लेकिन वो सब याद रखने से परीक्षा में बहुत लाभ नहीं.

17.19.5 🏢🔪 (🧑🌾🌽) Insurance to Banks on Exporters' NPA → NIRVIC Scheme (2019)

Boss? Commerce Ministry → Export Credit Guarantee Corporation (ECGC)

⇒ NIRVIK (Niryat Rin Vikas Yojana) is an Export Credit Insurance Scheme (ECIS).



- ⇒ Exporter takes a loan from a bank. But if he defaults then ECGC will cover upto 90% of his principal + interest losses to the bank. (Before NIRVIC scheme, it was only 60%)
- ⇒ Premium rates depend on sector e.g. diamond, chemical etc. exact figures=NOTIMP

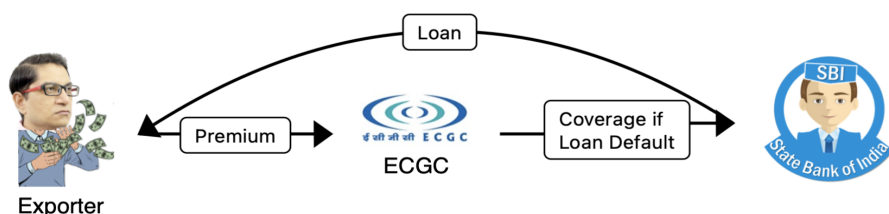
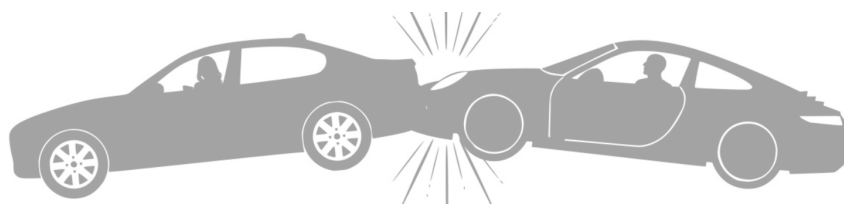


Figure 2: निर्यातक बैंक का कर्जा नहीं चुकाएगा तो नुकसान की भरपाई कौन करेगा

17.19.6 🚗👤 Third Party Motor Insurance (थर्ड पार्टी मोटर इंश्योरेंस)



- Motor Vehicles Act (1988) requires all motor vehicle owners to purchase it. (कानूनी रूप से अनिवार्य)
- **Third party (TP) insurance:** When your vehicle hits another vehicle, person or property → that victim (third party) registers a case, gets compensation. IRDAI regulates premium rates & other norms.

17.19.7 🚗👤 Own Damage Insurance (OD: मोटर संबंधित स्वयं के नुकसान का बीमा)

- It protects owner of vehicle against theft, vandalism, accident, fire.

17.19.8 🚗 Free / Cashless treatment to road accident victims (2024)

- **2019:** Motor Vehicle Act Amendment requires Government to provide free treatment to accident victims. **2024:** pilot project started in Chandigarh.
- Cashless treatment up to a maximum of Rs 1.5 lakh per accident to victims.
- Boss? Ministry of Road Transport and Highways
- National Health Authority (NHA) is the implementing agency.

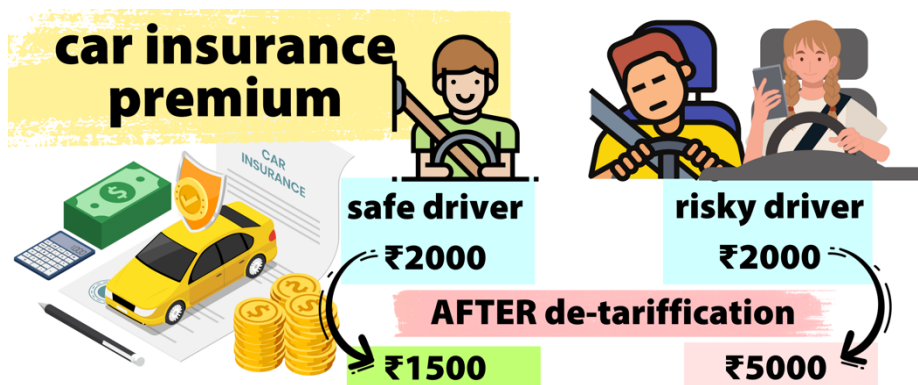
17.19.9 🚗 Tech-driven add-ons in Motor-OD (own damage) cover

IRDAI has allowed insurance companies to launch Tech-based add-ons in in motor own-damage policies for two-wheelers and private cars e.g. "pay as you drive," "pay how you drive,"

17.19.10 🚗 De-tariffication in Chinese insurance sector (📊 EcoSurvey'23)

Normally, in a vehicle insurance	After De-tariffication
motor vehicle insurance companies to charge fixed premiums based on type of the bike/car. This premium is usually decided by the Government/insurance regulator	premium based on risk profile of the driver e.g. age, physical fitness, past car-accidents, alcohol addiction etc.

📊 ES23 said Chinese vehicle insurance sector witnessed De-tariffication.



17.19.11



Title Insurance (जमीन / इमारत का टाइटल बीमा)

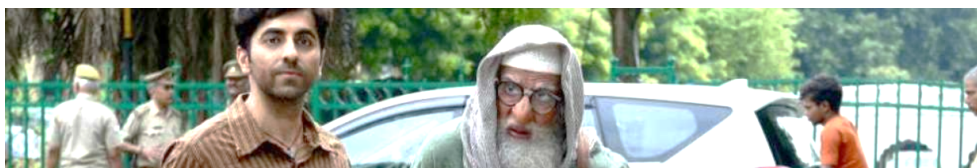


Figure 3: जमीन मकान विवादों के कानूनी लफड़े में नुकसान से बचने का बीमा img source: Gulabo Sitabo movie (2020)

- 'Title' (अधिकार-विलेख) means a legal document showing ownership of a property. 'Title dispute': usually happens when multiple persons are claiming ownership of the same land / building.
- 'Title Insurance' protects the new buyer in case of such legal disputes (by refunding the money he had spent in buying land, construction, legal expenses etc).
- Real Estate Regulation and Development Act 2016 (RERA) requires the builders to buy this type of insurance. More on RERA in pillar#5: urban infrastructure.

17.19.12



Clinical Trial Liability Insurance for Pharma Companies

- ⇒ Type: General Insurance Cover
- ⇒ Objective: To protect the pharma company from legal expenses/lawsuits, if a volunteer patient suffers damage/death in clinical trials.

17.19.13



Bharat Griha Raksha & other: Standardized home/factory insurance

- IRDAI ordered @General Insurance companies to sell 1) Bharat Griha Raksha, 2) Bharat Sookshma Udyam Suraksha 3) Bharat Laghu Udyam Suraksha from 1/4/2021 onwards.
- **Type?** Standard Fire and Special Perils (SFSP) Policy.
- **Beneficiaries?** protect homes and factories of micro, small and medium enterprises (MSMEs).
- **What damages are covered?** fire, natural catastrophes, riot, strike/hartal, malicious damages, terrorism,, etc upto ₹50 crores.

17.19.14



Property insurance: traditional vs parametric

Type	Traditional Property Insurance	Parametric Property Insurance
Philosophy	Compensation as per the actual loss.	Compensation based on mathematically defined parameters.
Example	If your home is destroyed in an earthquake,	Automatic compensation on home-



Type	Traditional Property Insurance	Parametric Property Insurance
	we will send an inspector to check the damage and then give you the money as per actual loss e.g. widows damaged = ₹x, wall/roof damaged = ₹Y.	damage depending on the intensity of the earthquake e.g. Richter scale “6” → ₹10 lakh; Richter scale “7” → ₹25 lakh.
Claims Process	Based on inspector’s assessment = Complex, lengthy.	Transparent, predictable, based on a mathematical formula = Quick settlement.

Note: For simplicity in explaining, I have taken the example of an earthquake. Parametric insurance can be designed for other events as well. For example, if a cargo ship is delayed by “X” hours, we’ll pay the importer ₹Y as compensation.

17.19.15 🌧️🚨 (Proposed) Catastrophe Insurance (आपदा बीमा)

⇒ Protects the client from natural and manmade disasters.

⇒ Presently, farmers’ crops are protected from natural disasters through PM-Fasal Bima Yojana.

But, if his own home was destroyed in floods, it’s not covered → Union & State Governments forced to use taxpayers’ money for paying compensation to victims of floods, cyclones etc.

⇒ IRDAI doing some studies to launch catastrophe insurance (or CAT cover) for poor people.

17.19.16 🌧️🚨 Catastrophe Bonds, Surety Bonds:

📖 Refer Pillar#1C1: SEBI-Sharemarket-यह हम पहले ही पढ़ चुके हैं

17.19.17 🖥️🚨 General Insurance → Cyber Insurance (साइबर बीमा)

- It covers the losses related to malware attack, phishing and data, identity theft, ransom payment demand made by the hackers, data restoration costs, business interruption losses due to cyberattacks. The loss of reputation, damage to mental health etc.
- Corona lockdown → home-from-home through computer → demand for such policies 📈.
- Bajaj Allianz and HDFC ERGO are notable general insurance companies offering such products.

📖 ? MCQ. In India, under cyber insurance, which of the following benefits are generally covered, in addition to payment for the loss of funds and other benefits? (UPSC-Pre-2020 SetB.Q90)

1. Cost of restoration of the computer system in case of malware disrupting access to one’s computer
2. Cost of a new computer if some miscreant wilfully damages it, if proved so.
3. Cost of hiring a specialized consultant to minimize the loss in case of cyber extortion
4. Cost of defence in the Court of Law if any third party files a suit

Answer Codes: [a] 1, 2 and 4 only [b] 1, 3 and 4 only [c] 2 and 3 only [d] 1, 2, 3 and 4

17.19.18 📄 eIA: e-Insurance account

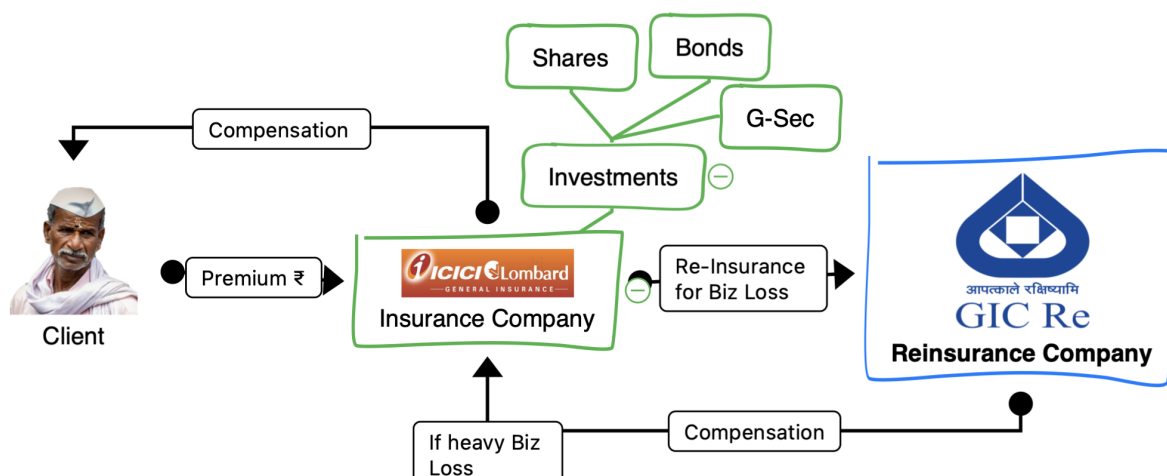
⇒ Shares/Bonds are stored digitally in DEMAT accounts. (More in 📖 Pillar#1C)



- ⇒ Similarly, Insurance policies can be stored digitally in e-Insurance accounts e.g. NSDL's National Insurance Repository (NIR). (बीमा दस्तावेजों को डिजिटल रूप से संग्रहित करना)
- ⇒ 🏆 Benefit? convenience to customers especially if he bought insurance policies from different companies e.g. Vehicle insurance, fire insurance, Health Insurance, Life Insurance. He can easily track their expiry date/ online renewal etc. in one portal. (सदस्यता का ऑनलाइन नवीनीकरण आसान होगा)

17.20 📦➡️📦 RE-INSURANCE (पुनर्बीमा)

- DICGCI Act (1961) requires banks to take deposit insurance from DICGCI.
- Similarly, Insurance Act (1938) requires insurance companies take 're-insurance' on their biz. (बीमा कंपनी ने स्वयं का "धंधा चौपट बचाओ" बीमा लेना होगा)
- Previously, only GIC was the sole-reinsurer, but then norms liberalized in 2015.
- Now private re-insurance cos allowed. e.g. India's ITI Reinsurance Ltd.
- Even foreign re-insurers such as Swiss Re, Munich Re, General Reinsurance (Warren Buffet, USA), Lloyds (UK) are permitted. (पहले केवल जीआईसी, लेकिन अब अनेक कंपनियों को अनुमति दी गई)
- 🏆 Benefits of multiple re-insurance cos? GIC's monopoly in dictating re-insurance premium rates is gone. So, insurance cos' cost of operations to decline → biz. expansion, launch innovative products etc.



17.20.1 🤔(👤👤👤) PANDEMIC RISK POOL proposal by IRDAI

- ⇒ Corona= many people died/sick = insurance companies required to pay large sum of compensation. This is putting lot of Business stress/losses on insurance and reinsurance companies. (महामारी में काफी लोग बीमार हुए/मर गए. बीमा कंपनियों ने मुआवजा देना पड़ा, मुनाफे पर गहरा तनाव)
- ⇒ PANDEMIC RISK POOL = Insurance companies and government will contribute ₹ into this fund to help in insurance companies in future pandemics. (बीमा कंपनियां और सरकार मिलकर एक निधि/कोष/फंड में पैसा जमा करें ताकि भविष्य में महामारीजन्य तनावपूर्ण स्थितियों में बीमा कंपनी की मदद हो सके।)

17.21 📦👤♀ IRDAI: THE INSURANCE SECTOR REGULATOR (बीमा क्षेत्र नियंत्रक)

Org	- 1996: IRDA setup → given statutory status in 1999 (वैधानिक संस्था बनी)
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संगठन	- 2014: Its name changed to Insurance Regulatory and Development Authority of India (IRDAI: भारतीय बीमा विनियामक एवं विकास प्राधिकरण) - HQ: @Hyderabad, Telangana. (Whereas RBI & SEBI HQs @Mumbai.)
Structure संरचना	1 Chairman: (5 years/65 age), 9 members (5/62) = Total 10. They can be re-appointed. (पुनर्नियुक्ति संभव है)
Functions कार्य	⇒ IRDAI gives separate licenses for life, general & re-insurance companies. ⇒ Prescribes norms for insurance companies for accounting, solvency, audit, commission to agents etc. It can penalize companies, suspend or cancel registration. Appeal → Securities appellate Tribunal (SAT) (More in Pillar#1C) ⇒ Norms for agents & brokers, banks selling products (Bancassurance), Surveyor/Loss Assessor, and Third-Party Administrators (e.g. Hospital) ⇒ Consumer grievance redressal via Insurance Ombudsman (शिकायत निवारण अधिकारी). IRDAI is member of Financial Stability & Development Council (FSDC). Ref: 1C

17.21.1 🍪👤 Domestic Systemically Important Insurers (D-SIIs, (घरेलू प्रणालीबद्ध महत्वपूर्ण बीमाकर्ता)

- IRDAI prepares a list of big insurance companies that are “too big to fail” i.e. they feel it will create very great economic distress for India. (यदि ये बीमा कंपनियां गिर गयी तो अर्थतंत्र में भारी तबाही होगी)
- IRDAI labels them as D-SIIs & imposes additional rules/monitoring/supervision on them.
- Latest List: 1) Life Insurance Corporation of India (LIC), 2) General Insurance Corporation of India (GIC), 3) The New India Assurance Co. Ltd. (NIACL) (उनपर ज्यादा सख्त नियम/निगरानी रखेंगे)

17.21.2 🍪👤 IRDAI reforms for senior citizen & HIV/Cancer patients (2024)

Matter	Before	2024- Reform
can senior citizen aged 65 or above, buy a new health insurance policy?	Not allowed.	yes allowed.
can cancer/HIV/kidney etc. patient buy health Insurance policy?	Company would usually reject their application.	can't reject.
If patient with pre-existing disease e.g. cancer/HIV etc buys health Insurance policy, then will he get the ₹ ₹ for its treatment?	not for the first 48 months.	not for the first 36 months.

17.21.3 🍪👤 Inflation / price-hike in Insurance premium & senior citizen protection

- Life & Health insurance companies 10–15% extra premium on Delhi residents for bad air quality. (2024-News)
- Hospital/medicine prices rose by 14%. So, health insurance companies want to hike insurance premiums.(2024-News)
- 2025: IRDAI ordered health insurance companies cannot ⬆️ ⬆️ senior citizens' premium more than 10% per yr.



17.21.4 🍪👤 IRDAI Reforms → 30 day free-look period rule

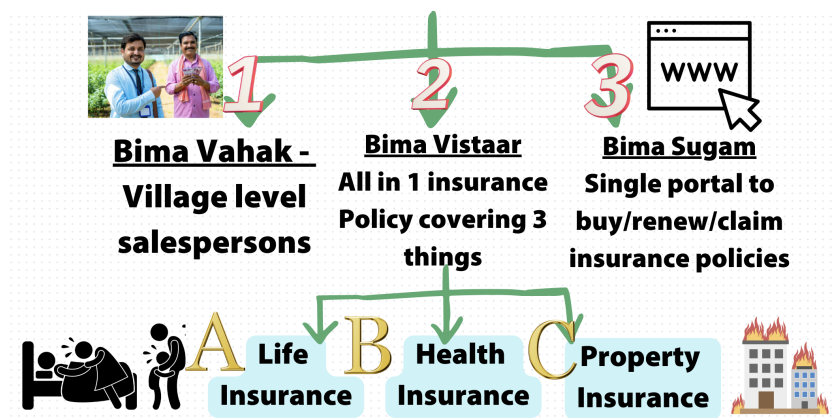
- This feature will allow the client to review/try the insurance policy for 30 days.
- The client can seek a refund of the premium within this 30-day period.
- No penalty on client during this 30-day period, if he cancels subscription.

17.21.5 🍪👤 LIC BIMA SAKHI Agents

- **Objective?** LIC to recruit women to sell LIC policies, particularly in the villages.
- **Eligibility?** Women aged 18-70 years who have passed 10th std.
- **Salary?** Monthly stipend of Rs 7,000 (year1), Rs 6,000 (year2), Rs 5,000 (year3)
- Apart from stipend, they will be get extra commission on the number of policies sold.
- **Career progression after 3rd Year?** BIMA SAKHI → LIC agents → LIC Development Officer. (but it depends on the discretion of LIC. It is not 'Fundamental right'.)

17.21.6 🍪👤 IRDAI Reforms → Bima Vahak - Village level salesmen (2023-24)

- An individual person or company can register as a Bima Vahak.
- They will sell various insurance policies at the gram Panchayat level, especially with the help of women.
- One Bima Vahak can become a salesman for multiple insurance companies at the same time (e.g., selling both LIC and ICICI-ki insurance policies).
- Bima Vahak will also help insurance companies to collect know-your-customer (KYC) documents and assist clients with claims/compensation.



17.21.7 🍪👤 IRDAI Reforms → Bima Vistaar: All-in-1 Policy

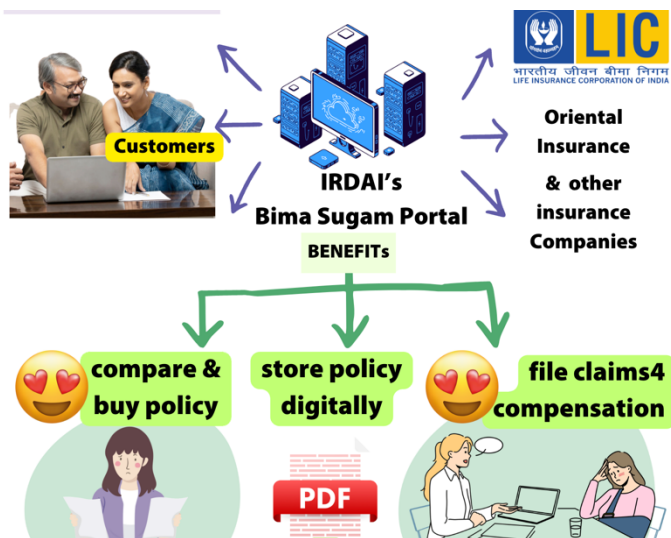
- Bima Vistaar will be an all-in-one standard insurance product.
- It will provide life, health (& accident), and property coverage in a single policy.
- March 2024: It is yet to be launched. IRDAI is working on the guidelines.

17.21.8 🍪👤 IRDAI Reforms → Bima Sugam, a one-stop digital platform,

- Presently, there are private sector websites like policybazaar.com, helping the people to compare & buy insurance policies from various companies.
- IRDAI planning to set up a similar sarkari website with better features.



- Bima Sugam will be a single website connected with all insurance companies. So you can compare / buy / renew policies, and file compensation-claims online (=in paperless mode).
- Online-KYC with the help of Aadhaar card. No need to visit branch-office.



17.21.9 🇮🇳 National Health Claim Exchange NHCX- portal for faster hospital bill clearing

- Boss? Health Ministry with help of IRDAI
- Objective? faster health insurance claim processing by connecting hospitals with health insurance companies. (डिजिटल माध्यम से अस्पताल और बीमा कंपनी को जोड़ के जल्दी से मुआवज़ा देना।)
- Digital exchange of data, documents and images between service provider (hospital/lab/clinic) and the payer (insurance company or govt scheme administrator e.g. PM-JAY's NHA)
- Then, Health insurance company will release the money to hospital within three hours of discharge of patient. (मरीज़ को अस्पताल से छोड़ने के तीन घंटे भीतर ही, बीमा कंपनी द्वारा अस्पताल को दी भुगतान।)
- better customer satisfaction and fraud detection (ग्राहक संतोष और धोखा धड़ी की निगरानी।)

17.21.10 🇮🇳 Insurance for all at Gram Panchayat Level - IRDAI (2024)

- 2024: IRDAI launched draft Rural, Social Sector, Motor Third Party Obligations Regulations.
- Applicable on : Life insurance, health, insurance, and motor vehicle insurance.
- It requires the Insurance companies to cover Minimum X% population in Y number of Gram Sabha in Z years.

17.22 🇮🇳 INSURANCE PROGRESS INDICATORS (बीमा प्रगति संकेतक)

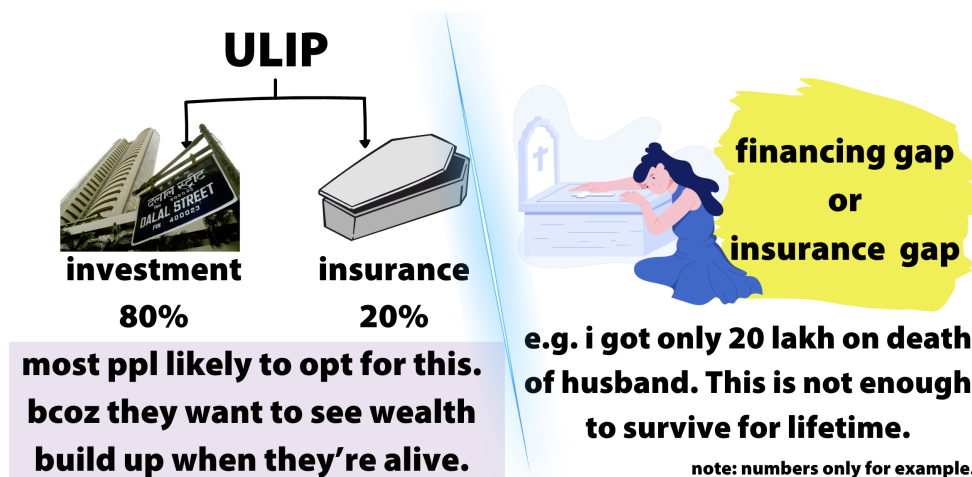
Metric	FY2001-02	FY2021-22	FY2022-23	2023-24
Insurance Penetration(%: बीमा प्रवेश) =Premium divided by GDP	2.7%	4.2%	4.0% ↓	3.7% ↓ (Global avg=7%)
Insurance Density (\$:बीमा घनत्व) =Premium divided by population	\$ 11	\$ 91	\$ 92 ↑	\$ 95 ↑

For India, these indicators are low compared to Malaysia many other developing countries.



17.22.1 📌📖 ES23: ULIP savings linked policies exposing subscribers to insurance gap

- insurance gap = when person is not taking adequate amount of insurance. (बीमा खाई।)
- Most life insurance products sold in India are savings-linked. (e.g. ULIP)
- Unit Linked Insurance Plans (ULIPs) are a type of life insurance plan that offer the dual benefits of life insurance and savings.
- They have just a small protection component. Hence, households remain exposed to a significant “insurance gap / financing gap” in the event of the premature death of the primary breadwinner. (बहुत कम रकम का बीमा किया होता है।)
- And therefore indicators such as insurance density- do not give us the full picture.



17.23 🇺🇸📖 FDI LIMITS IN INSURANCE SECTOR? (बीमा क्षेत्र में प्रत्यक्ष विदेशी निवेश की सीमा)

⇒ Foreign Direct Investment (FDI) is the (more than 10% equity / share) investment made by a foreign entity into an Indian company, with the objective to get involved in the management / production of that Indian company. (किसी विदेशी इकाई द्वारा एक भारतीय कंपनी में 10% से ज्यादा शेयर निवेश करना उसे कहते हैं प्रत्यक्ष विदेशी निवेश) (More on FDI 📖 Pillar#3A)

⇒ e.g. 2018: Walmart-USA bought 77% shares in Flipkart-India @\$16 billion.

FDI limits in insurance sector→	👤 BEFORE	👑 AFTER (Automatic Route)
State owned/public sector Life insurance corporation i.e. LIC (सार्वजनिक क्षेत्र का जीवन बीमा निगम)	NO RULE	20% (done in 2022)
Insurance company itself (Except LIC)	49%	74%** (done in 2021) 100%*** (done in 2025)
Insurance intermediaries e.g. agent/broker, surveyor/loss-assessor, third party administrators (hospital who give treat to health insurance clients) (बीमा क्षेत्र के बिचौलिये/दल्ले)	49%	100% (done in 2020)

** 📖 Budget-2021: announced to amend Insurance Act, 1938 to 📡 FDI limit from 49% to 74% in Insurance Companies. With following safeguards: हालांकि कुछ शर्तों के साथ →



- the Majority of Directors on the Board and key management persons must be Resident Indians. बोर्ड ऑफ डायरेक्टर तथा कंपनी प्रबंधन के वरिष्ठ पदाधिकारियों में बहुमति भारतीय निवासी होने चाहिए
- At least 50% of Directors must be Independent directors. (स्वतंत्र डायरेक्टर) (Ref#1C)
- Certain % of profits must be retained as general reserve. मुनाफे का कुछ प्रतिशत सामान्य आरक्षित निधि के रूप में अलग से रखना होगा, ताकी अगर कोई कांड हो जाए तो इन पैसों से क्षतिपूर्ति हो सके.

⇒ ***👛 Budget-2025: FDI limit ↑ from 74% to 100%, provided the company invests entire premium in India only. (पूरी प्रीमियम राशि केवल भारत में ही निवेश करनी होगी। विदेशी शेयर/बांड बाजार में नहीं.)

17.23.1 🙌👉 Arguments in favour and against increasing FDI in insurance sector?

Shifted to Mains. #Prelims-RAFTAAR-🚀

17.23.2 🚗🚚 Composite license & reduce GST - Parliamentary committee suggestions

2023: Parliamentary committee on finance has suggested following:

Present System	Suggested Reform (not implemented as of 2025-Mar)
Insurance Act, 1938 & IRDAI's rules do not allow single company to run life, general, health insurance. So, companies need to obtain separate licenses for each activity.	Permit composite license. So Single company can offer all three services with single license. Benefits (1) For company: reduced the cost of operation/regulatory compliance (2) For client: reduced burden of giving documents to multiple companies.
18% GST on insurance products	reduce to 5%

17.24 👤 INSURANCE INTERMEDIARIES: BANKERS, AGENTS, BROKERS

17.24.1 👤 Insurance Agent vs Broker

Insurance Agent	Insurance Broker
Sells policies of a single company e.g. LIC life insurance agent. (केवल एक कंपनी का माल बेचेगा)	Sells policies of multiple insurance companies, e.g. Policybazaar.com (एकाधिक कम्पनियों का माल)

17.24.2 👤 Direct Broker, Reinsurance Broker & Composite Broker, Bancassurance

Type	Meaning
1) Direct Broker	sells life/general/health policies of multiple companies.
2) Reinsurance Broker	sells reinsurance of multiple companies.
3) Composite Broker	doing both (1) + (2)
4) Bancassurance	French word for when banker sells insurance policy for an insurance company.

16.11 🗝️ Mock Questions for Mains from Insurance topic

Mostly around importance of insurance for human development. Whether we should allow more FDI in insurance sector? How does particular insurance scheme helping the poor people and farmers? Etc. This handout is for Prelims. There is separate handout for Mains. NEXT Handout: Pillar1D2: Pension & Financial Inclusion.



1D2: Pension & Financial Inclusion

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18 🧰 → 👤 (💰 📅) PENSION (पेंशन)

- 🧰 **Insurance:** person/his family eligible to receive ₹ ₹ if he suffers death / damage. e.g. PM Jeevan Jyoti: ₹ 2 lakhs on death. जीवन बीमा का लाभ लेना है तो व्यक्ति का मरना जरूरी है
- 👤 **Pension:** Person eligible to receive monthly ₹ ₹ when he retires. And when he dies, his wife (is usually) eligible to receive monthly ₹ ₹. When she also dies, scheme stops. बुढ़ापे में पेंशन मिलता रहे. आपके मरने पर आपके पति या पत्नी को भी पेंशन मिलता रहे।

18.11.1 📁 EPFO / APFC Exam Strategy / PYQ booklet?

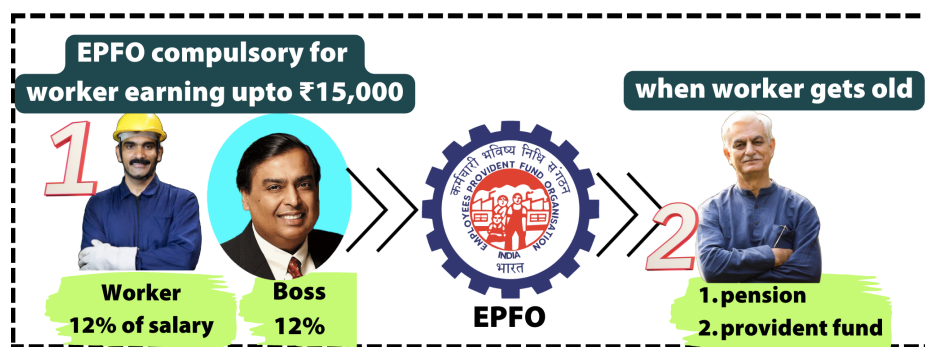
- Download PYQ booklet from unacademy.com/content/upsc/epfo/
- on its page5 i've given my observations / tips

18.12 👤 EMPLOYEE PROVIDENT FUND ORG. (कर्मचारी भविष्य निधि संगठन)

- 1951-52: EPFO was setup initially by ordinance & then Act.
- Nodal: Labour Ministry (श्रम मंत्रालय).
- EPFO governed by Tri-partite "Central Board of Trustees" त्रिदलीय केन्द्रीय न्यास बोर्ड -



- I. Government (Union + state) – 15 nominees (मनोनीत सदस्य)
 - II. Employers (industrialists) - 10 nominees
 - III. Employees (workers) – 10 nominees
- They decide where to invest money (usually G-sec>C-Bonds>Shares; with minimum and maximum slabs) and they decide how much interest should be paid to subscribers.



18.12.1 EPFO → Employee Provident Fund Scheme (EPF-1952)

- ⇒ Principal + interest returned upon retirement age/ death.
- ⇒ Interest Rate: 8.5%(2020-21) → 8.1%(2022-23, lowest in last 40 yrs.) → 8.25% (2023-24) → 8.25% (2024-25)
- ⇒ Partial withdrawal allowed upto “X%” allowed for education, marriage, illness and house construction etc. (अवधि से पहले आंशिक रूप से पैसा निकालने की भी छूट होती है।)

18.12.2 EPFO → Employees Deposit Linked Insurance Scheme (EDLI-1976)

- ⇒ Boss pays Premium. If worker dies → family gets insurance.
- ⇒ 2020-Reform: if worker died of Corona family member will be given insurance (min 2.5 lakh to max 7 lakh). कोरोना मृतक श्रमिक के परिजनों को बीमा राशि

18.12.3 EPFO → Employee Pension Scheme (EPS-1995)

- ⇒ Monthly pension on retirement (once they attain the age of 58 years old) / permanent disability (वय-निवृत्ति/स्थायी विकलांगता में पेंशन मिलेगा).

$$\text{EPS pension amount} = \frac{(\text{Avg salary of last 5 years} \times \text{number of years in service})}{70}$$

- ⇒ **Note1:** Different websites give different formulas. Formula is not imp, but sufficient to know that it is not linked with SHAREMARKET performance (unlike NPS scheme.)
- ⇒ **Note2:** If the worker dies before retirement (=while in job) → the minimum guaranteed pension to the spouse = ₹ 1,000 per month.

18.12.4 EPFO: more facts

- EPFO Act doesn't apply to cooperative society with less than 50 workers, if such cooperative society not using power (electricity, coal etc). [Why? Ans. NOTIMP.]
- EPFO subscriber worker has UAN (Universal Account Number) that remains unchanged even if he changes job from one organization to another. (मजदूर का खाता नंबर- नौकरी बदलने पर भी वही रहता है)



- Previously, employee himself couldn't generate his UAN, he had to request his boss to send forms to EPFO. But 2019: EPFO allowed employees to generate UAN online by simply giving Aadhar & Mobile Number. (एक जमाने में मजदूर ने मालिक द्वारा फॉर्म भिजवाना होता, लेकिन अब मजदूर खुद अपना खाता खोल सकता है)
- Factory owner/Employer has LIN (Labour Identification Number)- which he uses while uploading EPFO documents on Shramsuvidha webportal of Labour Ministry.
- EPFO & ESIC transactions can be done through:
 - Through public and pvt sector banks (बैंक खाते द्वारा पैसा भेज सकते हैं)
 - through Ministry of Electronics and Information Technology (MeitY)'s **UMANG App** (Unified Mobile Application for New-age Governance).
- Casual employee = employed only for a few days/weeks/months.)
- EPFO doesn't differentiate between casual (temporary), contractual and regular(permanent) employees. (यानी सबको सब लाभ मिलता है, यह क़ानून क़ायमी और अस्थायी मजदूरों में भेद नहीं करता है।)

AB CD ? MCQ. Find correct about casual workers employed in India (Prelims-2021)

1. All casual workers are entitled for Employees Provident Fund coverage. [सभी अयथावधि मजदूर ईपीएफओ के लिए हकदार हैं]
2. All casual workers are entitled for regular working hours and overtime payment. [सभी अयथावधि मजदूर सामान्य घंटों में किए गए कार्यवेतन और ओवरटाइम वेतन के लिए हकदार हैं]
3. The government can by a notification specify that an establishment or industry shall pay wages only through its bank account. [सरकार यह निर्देश जारी कर सकती है कि चिन्हित उद्योगों ने केवल बैंक खाते द्वारा वेतन भुगतान करना होगा]

Codes: a) 1 and 2 only b) 2 and 3 only c) 1 and 3 only d) 1, 2 and 3

Note: as per **EPFO circular**, st1 is right still UPSC official answerkey gone with the interpretation that st1 is wrong and by elimination of options containing this statement, the official correct answer [B].

18.12.5 🧠🔧🧑 EPF Commutation (2020)

- ⇒ EPFO: Employees' Pension Scheme (EPS: कर्मचारियों की पेंशन योजना) = worker gets pension after retirement age (58 years).
- ⇒ **EPF Pension commutation**= Worker can partially withdraw his pension in advance before reaching retirement age. But, then EPFO will pay him less pension afterwards when he actually reaches retirement age. (पेंशन रूपांतरण: वयनिवृत्ति उम्र/परिपक्वता समय से पहले पैसा उठाना। हालाँकि ऐसा करने पर बाद के वर्षों में पेंशन कम मिलेगा)

18.12.6 ✅ EPFO raises auto settlement of claims limit from ₹1L to ₹5L (2025)

- Normally, EPFO pension starts after retirement age. (58 years)
- But, even before retirement age, the subscriber can withdraw some money in advance claims for illness, education, marriage, and housing purposes.

Before	From 2025 Reform
Automatic online approval upto ₹1 lakh (= means subscriber need	limit increased to ₹ 5 lakh



Before	From 2025 Reform
not plead/beg to EPFO officials for approval/signatures)	

18.12.7 → EPFO-CITES ☒ CPPS: Centralized Pension Payments System

CITES = IT modernization project, Centralized IT Enabled System.

Before दफ्तरों के धक्के खाओ।	after
when the worker retired, he had to visit the bank branch for physical-verification, to start receiving the pension.	Problem solved. All banks connected online with EPFO.
Each Zonal EPFO Office partnered with 3–4 banks, causing payment issues for pensioners without accounts in those 3–4 banks.	same as above
After changing residence, Pensioners must visit zonal EPFO offices to update Pension Payment Orders (PPO) with new bank branch code.	same as above
EPFO's pension release system was decentralized at zonal-level	centralized online.

18.12.8 🐞 EPFO 3.0: portal / facility upgrade (2025)

- Improved digital experience- similar to e-Banking.
- Subscriber can withdraw the money from ATM machines.
- No need to visit the EPFO office for small small thing e.g. updating the home address, filing complaints. It can be done online.

18.12.9 EPFO : Higher pension rule for those earning over 15,000 = NOT IMP for Exam

deleted from handout.

18.13 🧑🏫🔧👤 GOVT SCHEMES FOR EPFO CONTRIBUTION

18.13.1 🧑🏫🔧👤 (2016) Pradhan Mantri Rojgar Protsahan Yojana (Labour Min)

- Too outdated for 2023 so deleting it.
- Under the scheme government contributed some money to EPFO, on behalf of the factory owner, when factory owner recruited new persons. (फैक्ट्री मालिक जब नए आदमी को नौकरी पे रखेगा तो कुछ वर्षों के लिए सरकार उसका EPF का पैसा भरेगी, ऐसी पुरानी ने योजना के)

18.13.2 🐞 Atmanirbhar Bharat Rozgar Yojana= Subsidy from Central Govt in EPFO contribution

It was launched during the Atmanirbhar Bharat 3.0 package (November 2020)

Beneficiary eligibility: Worker's Monthly wages LESS THAN ₹15,000 AND

- 1) Fresh EPFO-Worker got new job in an EPFO registered firm OR
- 2) Past EPFO-Worker had lost job between March1 to Sept30 of 2020, BUT got a job on/after October1, 2020 in an EPFO registered firm

👑 Entitlement: यह योजना में फायदा क्या मिलेगा



EPF scheme	👷 worker (मजदूर)	👤 Boss (मालिक)
if the firm has up to 1000 employees	12% of wages → 🧑 Govt to contribute to EPFO	12% → 🧑 Govt to contribute to EPFO (सरकार देगी)
if the firm has >1000 employees	12% of wages → 🧑 Govt to contribute to EPFO	👋 12%: Boss has to contribute from his pocket. Govt will not contribute.

👉 **Benefit?** Formal Job creation, more money in the hands of workers → demand 📈 → Post corona economy Revival. (औपचारिक रोजगार सृजन, मजदूर के हाथ में ज्यादा पैसा आएगा जिससे बाजार में मांग में बढ़ोतरी)

📅 **Scheme validity?** (यह योजना कितने दिनों तक वैध/जारी रहेगी)

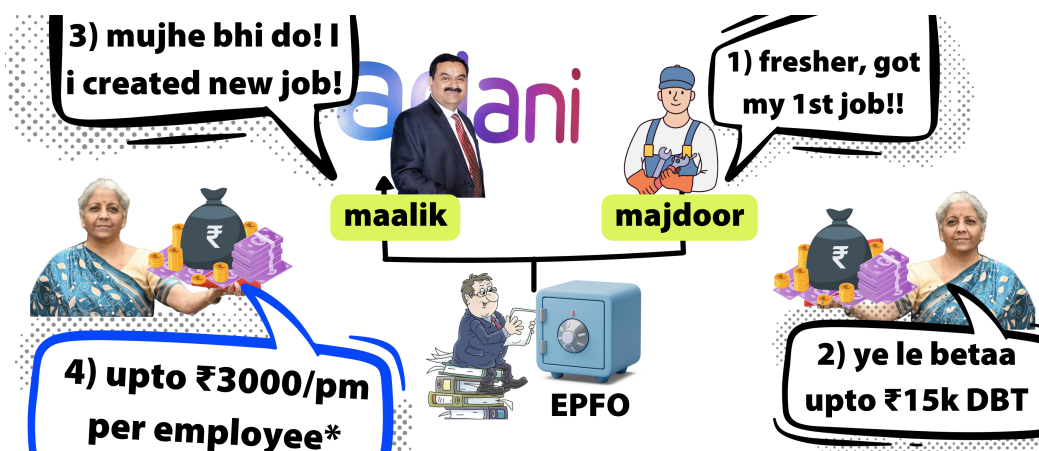
⇒ Scheme registration open till June 2021.

⇒ Registered worker will continue to receive benefit for two years. e.g. if registered in January 2021 → then ₹ upto January 2023.

🎓 **Note:** for faster revision I have used the term worker and boss (मजदूर और मालिक) But, in real mains exam, you should write employee and employer/Entrepreneur (कर्मचारी और नोकरीदाता / उद्यमी)

18.14 🧑👤 ELI SCHEME - EMPLOYMENT LINK INCENTIVE SCHEME (ELI)

- 👉 Budget-2024 announced. 2025-Jul approved.
- Objective: Create 3.5 Crore+ in 2 yrs (Aug-25 to Jul-27)
- Boss? Ministry of Labour & Employment.



18.14.1 🧑👤 ELI-Part A: FRESHER to get ₹15k from govt on his 1st job

- First-time workers registered with EPFO will get up to Rs 15,000 in two installments, if their salary is not more than ₹1 lakh.
- Requires him/her to complete a financial literacy training programme.
- A part of the ₹15k will be locked in FD (fixed deposit) to ensure financial discipline of the beneficiary.

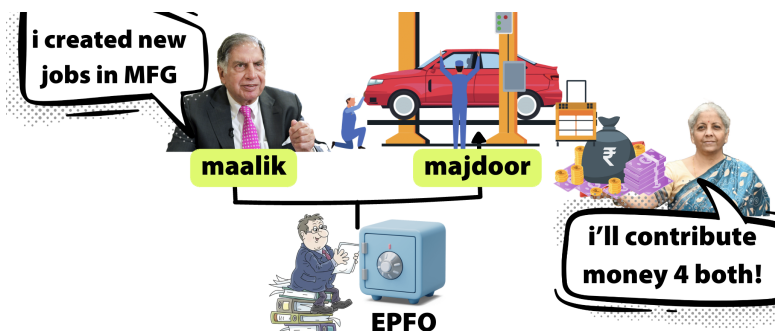
18.14.2 🧑👤 ELI-Part B: Support to Boss/Maalik/Owner

- If ADANI gives jobs to at least 2–5 people for at least six months,
- then the government will pay monthly ₹1k-3k to ADANI for each such employee, depending on how much salary ADANI is paying to the worker.



- Note: there are many terms conditions in it, if preparing for EPFO read more at www.pib.gov.in/PressReleasePage.aspx?PRID=2141127

18.14.2.1 🧑🍳 ELI-Scheme C: Support to employers (target 50 lakh jobs)



- if owner creates a job paying upto ₹1 lakh per month.
- Then on behalf of owner, the government will contribute upto ₹3000 in such worker's EPFO per month. Scheme valid for first two years of such new-job.

NOTE: this part-C was announced in 2024-Budget, but when Govt notified the scheme in 2025, they've not mentioned it.

18.14.3 🚩🧑🍳 FAQ: "why not merge EPFO with ESIC!?"

Their laws are different. To merge them you've to merge two laws. Send ur suggestion to PM.

18.14.4 Coal Miner's pension: CMPFO → C-CARES portal

- Coal miners have a separate EPFO-like act -called Coal Mines Provident Fund & Misc Provisions Act, 1948.
- Boss? Coal Mines Provident Fund Organisation (CMPFO) a statutory body under the Ministry of Coal. (कोयले की खदान में काम करने वाले मज़दूरों के लिए EPFO जैसा अलग क़ानून/ प्रणाली है।)
- CMPFO launched a portal, C-CARES, to help those miners/pensioners.

18.15 🧑→🧑 PENSION FOR GOVT EMPLOYEES? = OPS, NPS, UPS?

NPS-for Govt Employees	NPS- for Middle Class (from 2009)
2004: New Pension Scheme (नवीन पेंशन योजना) →(2009) renamed into National Pension System. (राष्ट्रीय पेंशन प्रणाली) Subscriber? Those who joined govt. service on or after 01/01/2004 (except Armed forces) Mechanism? Employees (10 % of basic pay) + Govt. contribution (14% of basic pay: since Interim-Budget-2019) → goes to PFRDA →NPS Trust → empaneled NPS-Fund-manager → Invested G-sec,	- In 2009, the Government employee-walla National Pension System was made open for all citizens (and NRIs) aged 18-55 on voluntary basis. - so, even citizens who're not in govt job, they can also join NPS, contribute money till age of 60, as per their capacity → pension.



NPS-for Govt Employees	NPS- for Middle Class (from 2009)
Corporate Bonds and Shares depending on your preference in Tier1/Tier2 accounts.	

- NPS subscribers have PRAN: Permanent Retirement Account Number, Just like EPFO subscriber has UAN Number.

OPS
old pension scheme
Govt pays pension to govt employee
huge burden on tax payers

NPS 2004
Govt: 14% employee: 10% invest in share, bond, G-sec
Sharemarket pays pension. But if sharemarket then pension ↓ ↓ ↓

UPS 2024
Govt: 18.5% employee: 10% invest in share, Bond, G-Sec
even if sharemarket ↓ govt assures minimum pension to employee.

18.15.1 🧑🏫 FAQ: Which PM started NPS? Ans. Vajpayee.

- Dec/2003- New Pension scheme started
- Jan/2004- NPS renamed into National Pension System.
- Vajpayee PM from March 1998 – May 2004; Manmohan PM from May'04 – May'14

18.15.2 🧑🏫 → 🧑🏫 Pension: NPS: T V Somanathan committee & UPS (2023)

Finance Ministry had setup T V Somanathan to review the NPS pension scheme for government employees and suggest any changes, if needed. → UPS system proposed. see next section. 📌

18.16 🧑🏫 UPS-UNIFIED PENSION SCHEME FOR GOVT EMPLOYEES. (एकीकृत पेंशन योजना)

- Notified in 2024-Aug. Actually, Starts from 1/4/2025.
- Central Govt employee is given choice - he can remain in NPS or shift to UPS.

Contribution (योगदान)	NPS	UPS
🧑🏫 Employer (govt)	14%	18.5%
🧑🏫 Worker/Employee	10% of salary	10%

Note: there are many components in the salary like basic salary, TA, DA, HRA etc. we will not go into PHD. We will only remember general words ke 10% of salary.

18.16.1 🧑🏫 UPS-Entitlement for govt employees? (कितने पेंशन की गारंटी है?)

pension	min 10 yrs of service	25 yrs of service
assured pension	₹10,000 per month	50% of avg monthly salary of the last 12 months before retirement



- When pensioner dies → 60% “Family pension” to spouse/husband/wife.
- Pension will increase with inflation via Consumer Price Index for Industrial Workers (CPI-IW) (महंगाई के हिसाब से बढ़ेगा). (Ref: Pillar#4E for more on CPI)
- upon retirement, apart from monthly pensions, the employee will get one time **lump sum payment** also. (एकबार भत्ता मिलेगा।) How much? Not imp.

18.16.2 🧑 Old Pension Scheme (OPS) in Non-BJP States

- ⇒ Union Govt believes 1) we don't have enough money to sustain OPS. 2) better to use tax payers' money for the welfare of poor people.
- ⇒ However some non-BJP states such as Rajasthan reverting to OPS.
- ⇒ Experts argue that OPS is unsustainable because State govts don't have enough money to run it forever. More elaboration / bolbachchan = shifted to Mains. #Raftaar-for-Prelims.

18.16.3 🧑 NPS: Andhra Guaranteed Pension Scheme (GPS)

State Govt Employee	State Govt	Guaranteed Pension
10% of salary	10%	33% of last salary before retirement
14%	14%	40% of last salary before retirement

18.16.4 🌐 NPS : penny drop verification mandatory (2023)

- “Penny drop test” means a pension company transferring a small amount of money, e.g., ₹1, to the subscriber's bank account as a test before crediting the entire amount.
- If there is an error, the remaining money will not be sent until the details are corrected (e.g., bank account number/branch IFSC code).
- In 2023, PFRDA made “penny drop verification” compulsory for NPS.

18.17 🧑 → 🧑 NPS FOR PEOPLE NOT IN GOVT JOB

18.17.1 🧑 → 🧑 NPS-Lite (Swavlamban) (2010)

If poor person from unorganized sector joined NPS, then govt to contribute ₹1000 per year for 5 YR in their account. (असंगठित क्षेत्र के गरीब के खाते में सरकार द्वारा पाँच साल के लिए १-१ हजार रुपये वार्षिक का योगदान)

18.17.2 🧑 NPS-Vatsalya for minors in 📅 Budget-2024

- pension account can be opened for minors (below age 18)
- parents/guardians can contribute money in it.
- Annually contribution limit: minimum Rs. 1,000. Maximum: unlimited.
- When the minor reaches the age of 18, their NPS Vatsalya will be converted into a normal/standard NPS account.

18.17.3 🧑 → 🧑 Pension: NPS: Minimum Assured Return Scheme (MARS) for non-govt employees

- ⇒ PFRDA yet to release the guidelines so for the sake of simple example
- ⇒ suppose PFRDA gave MARS of 8% on an NPS account (of a non-govt employee)



⇒ Then if NPS unable to give u 8% return then whatever loss- will be paid by PFRDA/other org to subscriber. 😊 Benefit? It'll attract more people to join NPS. (ये तो एक काल्पनिक उदाहरण दिया है)

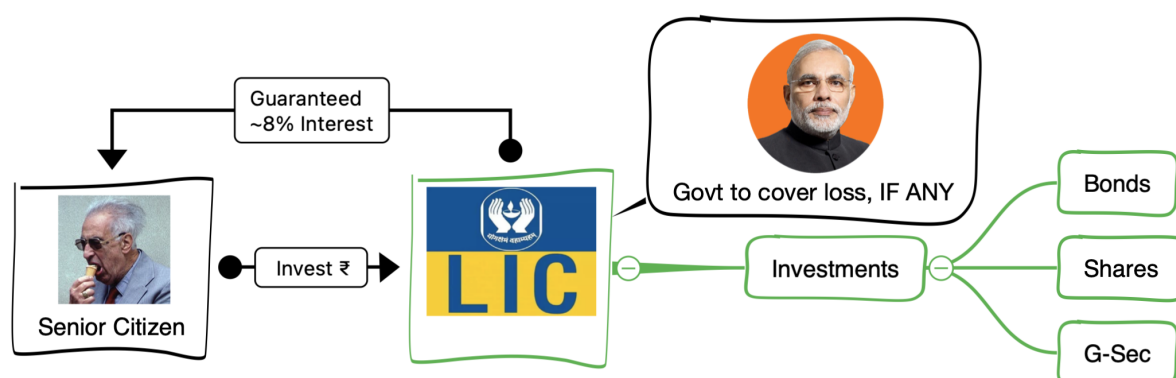
18.17.4 🧑🏻 → 📱 Jeevan Pramaan (2014)



- Previously, a pensioner (in any Govt / public sector org.) had to submit a physical life certificate in November each year to prove that he's alive = hardship, bribery to officials.
- "Jeevan Pramaan" – an "Aadhar-based Digital Life Certificate" by Ministry of Electronics & Information Technology (MEITY) (आधार कार्ड और अंगूठा लगा के ज़िंदा होने का प्रमाण पत्र ताकि पेंशन मिलता रहे)
- Pensioner's Aadhar number + biometric reading device → PC, Mobile → "Digital Life Certificate" → submit to the authority → pension released.
- 2020: Jeevan Pramaan system also expanded to EPFO subscribers.
- 2022: EPFO also allows facial recognition system because in some very old pensioners, difficult to scan finger-print/iris.

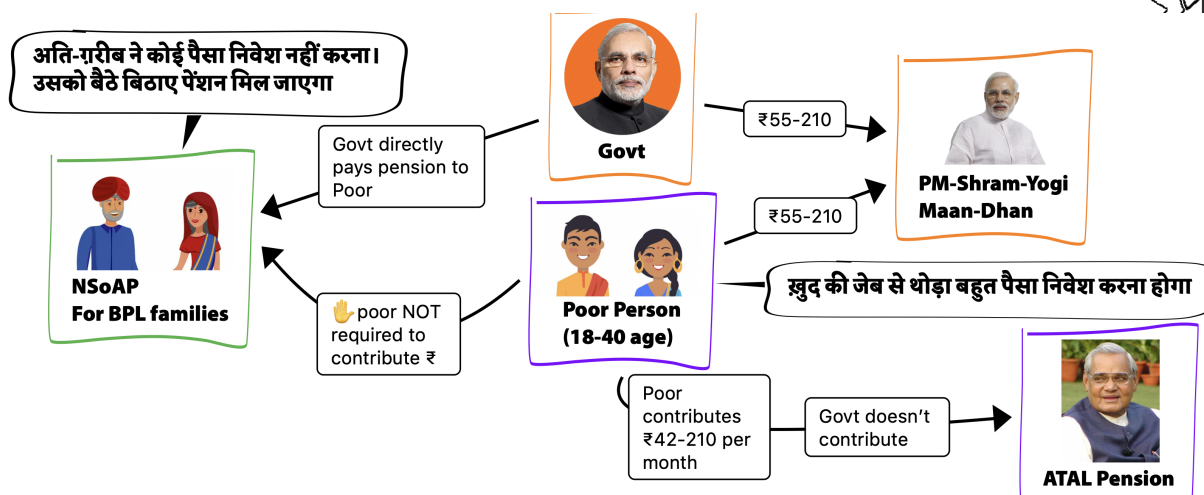
18.18 🧑🏻 → 🧑🏻 PENSION FOR SENIOR CITIZENS WITH CAPACITY TO INVEST?

18.18.1 Pradhan Mantri Vaya Vandana Yojana (2017-DFS, LIC)



- ⇒ Boss- Dept of Financial Services
- ⇒ 2023-March-31st: this is the last date to join the scheme. Then registration will close.
- ⇒ Other similar schemes: Senior Citizen Savings Scheme, LIC Varistha Pension Bima Yojana but they are old schemes so poor cost: benefit in preparing for UPSC.

18.19 🧑🏻 → 🧑🏻 PENSION FOR POOR PEOPLE WITH CAPACITY TO INVEST?



गरीब आदमी जो खुद की जेब से थोड़ा पैसा निवेश कर सके- उनके लिए पेंशन योजना

😊 Atal Pension Yojana (APY)	😊 Pradhan Mantri Shram-Yogi Maandhan
By Dept of Financial Services, 2015	By labor Ministry, 2019
Only 18-40 age Indian citizen residing in India	Income Tax-payer, NPS, EPFO, ESIC-subscribers not eligible.
No minimum or maximum income limits. Mukesh Ambani can also join, but given that fact that maximum pension is ₹5,000 a month so target-audience is poor people, unorganized workers outside EPFO security.	unorganized sector workers with monthly income upto ₹15k. E.g. street vendors, rickshaw pullers, construction workers, rag pickers, agricultural workers, beedi workers etc. in the age of 18-40
Monthly pay ₹42-210 rupees till the age of 60	Monthly invest ₹55-200 (depending on age of joining). Govt to co-contribute equal amount. Till the age of 60
₹1k-5k monthly pension- depends on @which age joined, how much contributed?	minimum assured ₹3k pension per month after 60.
- If subscriber dies after 60, then spouse (Husband/wife) continues to receive same amt. pension. - Both Husband & Wife die → Nominee (e.g. their child) receives the entire principal (premium) back.	If subscriber dies after 60, spouse (husband/wife) gets ₹1500pm as family pension. IF Both Husband & Wife die → Nominee (e.g. their child) get nothing. निवेशक-पति/पत्नी के देहांत पर उसके पत्नी/पति को आधा ही पेंशन मिले। दोनों मर गये तो बच्चे को कुछ नहीं मिलेगा।
One person-1-subscription account only.	Same as left cell.

💡 **Note:** 1) Atal Pension Yojana 2) PM Jivan Jyoti Yojana and 3) PM Suraksha Bima Yojana are collectively known as **Pradhan Mantri Jansuraksha Schemes**.

📖 ? Find correct statement(s) regarding 'Atal Pension Yojana': (Pre'2016)

1. It is a minimum guaranteed pension scheme mainly targeted at unorganized sector workers.
2. Only one member of a family can join the scheme.



3. Same amount of pension is guaranteed for the spouse for life after subscriber's death.

Codes: (a) 1 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

MCQ. Find correct about PM Shram Yogi Maan-dhan (PM-SYM) Yojana (Pre'24-Set-C-Q10)

1. The entry age group for enrollment in the scheme is 21 to 40 years.

2. Age specific contribution shall be made by the beneficiary.

3. Each subscriber shall receive a min pension of 3,000 per month after attaining the age of 60.

4. Family pension is applicable to the spouse and unmarried daughters.

Codes: (a) 1,3 and 4 (b) 2 and 3 only (c) 2 only (d) 1,2 and 4

18.19.1 🌾 → 🙌💰: Pension: Three Maan Dhan Yojanas



18-40 Age; ₹ 55-200 fees; Pension @60=3000 → family pension ₹ 1500	LIC Fund manager + This Ministry co-contributes	Who?
1) Pradhan Mantri Shram-Yogi Maan-dhan (Feb'19)	Labour Ministry	unorganized sector workers with monthly income upto ₹15k
2) PM Laghu Vyapari Maan- dhan Yojana (Jul'19)# also known as 'NPS-Traders'	Labour Ministry	Small trader / shopkeepers whose annual turnover does not exceed Rs 1.5 crore, based on self-declaration.
3) Pradhan Mantri KISAN Maan-dhan Yojana (Aug'19)	Agri	small / marginal farmers with upto 2ht land.

- 1 person can join only 1 type of above scheme. (एक व्यक्ति का सिर्फ एक बार ही पंजीकरण होता)
- Income Taxpayers & those who joined EPFO/ESIC are not eligible for any of these schemes.
- 📅 **Budget-2020:** we'll launch a Universal Pension coverage with auto enrolment for workers. It'll cover workers even when they change jobs. <update when actually done>

🚩👤 FAQ: "why not merge all these schemes into one!?? Ans. Send suggestion to PM.

18.20 🙌♂️ → 👤 **PENSION FOR POOR PEOPLE WITHOUT CAPACITY TO INVEST?**

- For Below Poverty Line (BPL) people, Rural Development Ministry's National Social Assistance Programme (NSoAP: राष्ट्रीय सामाजिक सहायता कार्यक्रम) in 1995, where direct money is given without asking for any premium from the beneficiary (लाभार्थी).
- It's a core of the core scheme (अति-महत्वपूर्ण योजना) with 100% cost is paid by Union.
- It's optional for state govt. to contribute money- They may contribute, if they want to enhance the scheme's features. (More in 📄 Pillar#2D- Schemes types)



⇒ 2020: 🤖👤 ATMANIRBHAR → PM GaribKalyan → single time ₹1,000 to poor senior citizen, poor widows & poor disabled (total 3cr person covered)

NSoAP Components	👤 Union	👤 State (Optional to give extra)
Indira Gandhi Old age pension @60	₹200-500* (depending on how old)	State Govt may give extra ₹₹ & rename it. e.g. Samajwadi Pension in UP
Indira Gandhi Widow pension Aged 40 onwards	₹300-500 (depending on how old)	State Govt may give extra ₹₹ and rename it e.g. UP Vidhva Pension @1k
Indira Gandhi Disability pension: Aged 18 onwards	Same as widow pension	State Govt may give extra ₹₹ and rename it e.g. Guj: Sant Surdas Scheme
National Family Benefit INSURANCE	Death of bread winner: ₹20,000	e.g. Guj: Sankat Mochan
Annapurna (2001)	If To BPL senior citizens not receiving old age pension then 10kg grain / pm for FREE.	N/A

18.20.1 Pension types: Defined Contribution vs Defined Benefit

Pension Type	Defined Contribution	Defined Benefit
Pension is fixed or not?	Pension depends on performance of sharemarket	Pension is fixed. Doesn't matter what happens in sharemarket.
Example	- NPS - Private pension companies' plans	- EPS (a scheme of EPFO), - OPS, UPS - Atal Pension (APY), Sharm Yogi Maan-dhan, NSoAP

18.21 📖 ES25's OBSERVATIONS ON PENSION SECTOR

18.21.1 👤👤 Pension sector challenges as per 📖 ES25:

- Globally, the elderly population has surpassed children.
- Growing elderly population and increasing life expectancy → pension companies must pay for more years. (बुजुर्गों की बढ़ती आबादी और जीवन प्रत्याशा)
- Pensioners save less than active workers, leading to lower national savings in countries with a larger elderly population. (नौजवान श्रमिकों की कमी से राष्ट्रीय बचत में कमी होती है, क्योंकि बुढ़ा पेंशनर तो इतना पैसा बचा नहीं सकता।)
- Countries like Japan, France, and China raised retirement ages, causing worker resentment. (निवृत्ति आयु बढ़ाने पर मज़दूरों में नाराज़गी।)
- Rising inflation increases need for higher pension amount. (महँगाई का बोझ)



18.21.2 🧑🧑 Pension market not yet fully developed in India says 📖 ES25:

Nation	OECD Nations^^	India
Pension assets as a % of GDP	80%	EPFO (17%) & NPS (4.5%)

- ^^ Organisation for Economic Co-operation and Development (OECD) = more in pillar 3c.
- Out of the total number of pensioners in India- 80% are Atal Pension Yojana (APY) subscribers. APY gives hardly ₹1–5000 pension.

18.21.3 🧑🧑 Micro pension scheme problems as per 📖 ES25:

- Micro-pension schemes like Atal Pension and Shram Yogi Maan-Dhan provide small pensions to poor families.
- Poor people often prioritize immediate consumption over saving for pensions or insurance. (तुरंत उपभोग मैं पैसा खर्च कर देते हैं।)
- Consequently, 93% of Atal Pension subscribers joined the ₹1,000 plan because the ₹5,000 plan requires more contributions.
- Behavioral interventions like simplifying enrollment and providing timely reminders for renewal are needed to increase active subscribers in micro-pensions. (गरीबों के बर्ताव में सुधार जरूरी।)

18.21.4 🧑🧑 Britain's PAYGO schemes & demographic changes- 📖 ES25:

- Pay-As-You-Go (PAYGO) schemes = the young salaried employees bear the price of pension for the older generation.
- Here, Worker's Money is not invested in shares/bonds- **unlike in EPFO/NPS**. Current Worker's money is immediately/directly paid to the pensioner. (वर्तमान श्रमिक का कुछ पैसा, सीधा बुढ़े पेंशनर को दे देंगे। शेयर /बांड बाज़ार में निवेश नहीं करेंगे।)
- Britain and several OECD group nations follow this.
- **But, for such pension scheme to be sustainable:**
 - (i) outflows must be adequately linked to the inflows. (= more young workers need to keep joining to pay for the retiring workers)
 - (ii) Inflow must increase with rising inflation index. ("Indexation" is the process/formula for increasing the salary & pension as per the rising inflation.)
- Otherwise, Asset-liability mismatch leads to government borrowing to pay pensions, as seen in Greece and Italy. Britain faces this in the next 2 decades.
- Globally, the number of pensioners exceeds children, reducing active workers and increasing pensioners in the future.

18.22 🧑🧑👩 PFRDA, THE PENSION FUNDS' REGULATOR

Org	2003: Executive order to setup PFRDA- Pension Fund Regulatory and Development Authority (पेंशन निधि विनियामक एवं विकास प्राधिकरण) 2013: given statutory status. HQ: New Delhi, just like IBBI.
Structure	1 Chairman: (5years / 65age) + 5 members (5/62 age) = 6 people. Re-appointment is possible.



Functions	⇒ Implement National pension system (NPS), select its fund-managers.
	⇒ Regulate all public and private pension funds except EPFO, Seaman, Coal miners, Assam tea plantations pension schemes as they've their separate laws.
	⇒ Protect Clients, Pensioners
	⇒ Prescribe liquidity, auditing, investment norms for Pension funds.
	⇒ Powers of civil court. (दीवानी अदालत की सत्ता/अधिकार दिए गये हैं)
	⇒ financial awareness generation through pensionsanchay.org.in
	⇒ Pension FDI is linked with insurance FDI (49%) so not decided by PFRDA.
Website	pensionsanchay.org.in = for awareness generation around pension and retirement.

18.23 🧑🔧 SOCIAL SECURITY FOR OVERSEAS INDIANS (PENSION / INSURANCE)



18.23.1 🧑🔧 Pravasi Bharatiya Bima Yojana, 2017

Some nations do not have strict laws regulating the entry, employment or safety of foreign workers. So, the Indian Government classifies them under **Emigration Check Required** (ECR: उत्प्रवास जांच की आवश्यकता) countries. e.g. Saudi, Qatar, UAE, Libya, Malaysia, etc.

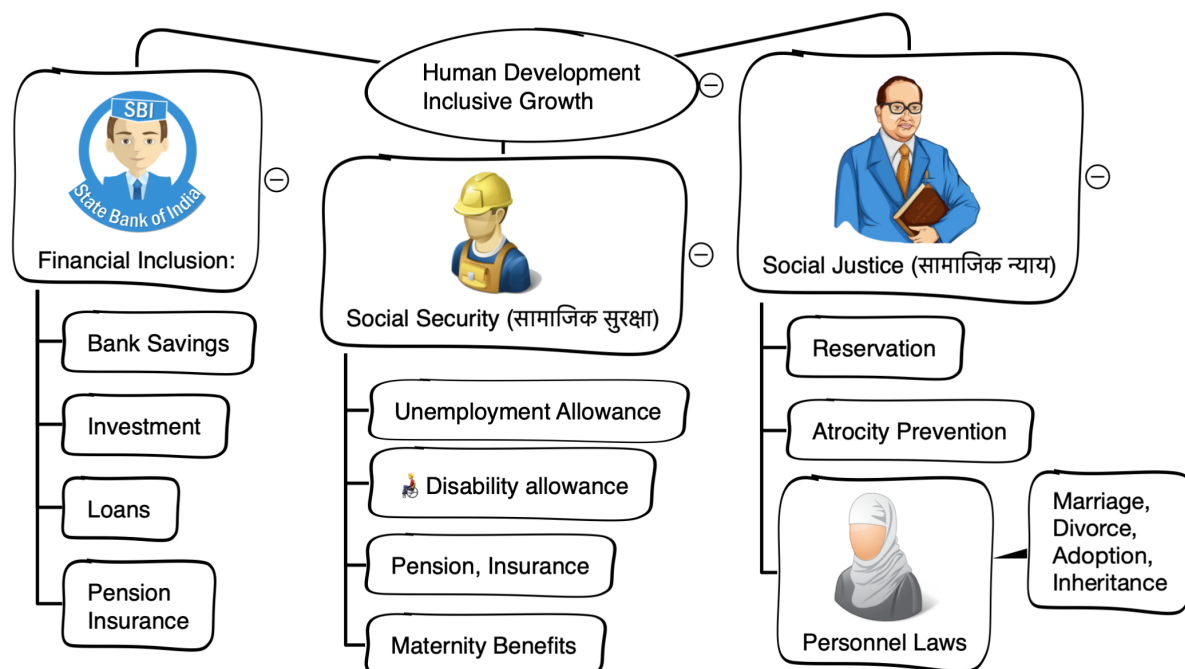
- ✓ It's compulsory for Indian workers going ECR nations to join Pravasi Bharatiya Bima Yojana. (ईसीआर देशों में जाने वाली प्रवासी भारतीय मज़दूरों के लिए ये खरीदना अनिवार्य है)
- ✓ Insurance cover of Rs. 10 lakhs if accidental death/permanent disability while abroad,
- ✓ Maternity expenses (प्रसूति खर्च) cover for women worker, Family Hospitalization etc.
- ✓ Scheme boss? Ministry of External Affairs (विदेश मंत्रालय)

18.23.2 🧑🧑🤝 Pension: Totalisation pact- India-USA negotiation

- If an NRI Indian person works in the USA, the US government deducts pension/social security contributions from their salary.
- However, upon returning to India, they face difficulties receiving the pension from the USA. (जिस NRI ने अमरीका में पेंशन योजना का पैसा कटवाया है, उसे भारत घर वापसी के बाद वो पेंशन लेने में दिक्कत आती है)
- The totalization pact can solve this issue, but negotiations are ongoing.
- This one liner information is enough. Further PhD <https://youtu.be/UwIUf7p-X00?t=1056>



19 (👨🌾👩🌾) → 🏠 1D3: FINANCIAL INCLUSION (वित्तीय समोवेशन)



- ⇒ **Financial Inclusion:** providing access to banking, investment, pension, insurance and credit (loan) facilities to each citizen. This ensures social, economic and transaction security (लेनदेन में सुरक्षा) (S-E-T), improves social harmony, women empowerment, helps reaping the benefit of “LESS CASH Economy” (📄 Ref: Handout#1A1) सभी नागरिकों को बैंकिंग, निवेश, पेंशन, बीमा और ऋण की सेवा प्रदान करना= उसे वित्तीय समोवेशन कहते हैं
- ⇒ **Social Security (सामाजिक सुरक्षा):** a system of payments / assistance by the government to citizens who are ill, handicapped, poor, aged or unemployed. (बीमार, विकलांग, गरीब, वृद्ध या बेरोजगार को आर्थिक मदद करना)
- The foundation of SS in our constitution @DPSP Article 41- State to provide public assistance to its citizens in case of unemployment, old age, sickness and disablement; and
 - DPSP Article 42- The State shall make provision for securing just and humane conditions of work and for maternity relief. (राजनीतिक पथदर्शक सिद्धांतों में जिक्र)
- ⇒ **Social Justice (सामाजिक न्याय):** distribution of wealth, opportunities, and privileges within a society- through reservation in jobs, admissions and election and through legal safeguards for protection of civil rights, prevention of atrocity and personnel laws. (समाज के विभिन्न जाति/वर्गों में आरक्षण चुनाव तथा कानून अधिकारों द्वारा संपत्ति, अवसरों और विशेषाधिकारों का वितरण= उसे सामाजिक न्याय कहते हैं)
- ⇒ Collectively, these three (FI,SS,SJ) help in human development, inclusive economic growth and Sustainable Development Goals (SDG). (More in 📄 Pillar#6) [कुल मिलाकर वित्तीय समावेशन, सामाजिक सुरक्षा और सामाजिक न्याय इन तीनों की मदद से मानव-विकास, समावेशी आर्थिक वृद्धि, और सतत् विकास लक्ष्यों को हांसिल करने में हमें मदद होगी]



19.11 (👤🌾👤🔧💰) → 🏦 FIN. INCLUSION: BANK ACCOUNTS FOR EVERYONE

- ⇒ Nationalization of Banks (1955, '69, '80) → 1961: DICGC Act → 1966 Cooperative Banks under RBI's Ambit → 1969 Lead Bank Scheme (SCB:Pvt or Public) given lead role in district. They prepared credit plan with 'Service Area Approach', and coordinate with the efforts of Government, banks and NBFCs.
- ⇒ 1971: State level Bankers' Committee to monitor progress of financial inclusion
- ⇒ 1976: Regional Rural Bank (RRB) setup through Act. (क्षेत्रीय ग्रामीण बैंकों की स्थापना)
- ⇒ Further, RBI requires commercial banks to setup atleast 25% of their branches in unbanked rural areas. Similar norms for White label ATM Companies. (एक चौथाई शाखाएं गाँव में खोली होगी)
- ⇒ 2005: RBI permitted no-frills savings account with no penalties on zero balance
- ⇒ 2006: RBI permitted Banking Business Correspondent Agents (BCA)
- ⇒ 2011: Government's Swabhiman to increase banking presence in rural area.
- ⇒ 2013: e-KYC permitted.e.g. write Aadhar number, put fingerprint in biometric reading device, no photocopies/xerox required. (कागज़ी नक़ल जमा करने की ज़रूरत नहीं, ऑनलाइन प्रमाणीकरण)
- ⇒ 2014: JanDhan Yojana, new Private Commercial Banks (Bandhan, IDFC First)
- ⇒ 2015: Small Finance Banks and Payment Banks.(लघु वित्त बैंक और भुगतान बैंक की स्थापना)
- ⇒ 2017-18: India Post Payment Bank(More in 📄 Pillar#1B1)

AB CD ? MCQ. Service Area Approach was implemented under the purview of (UPSC Prelims-2019)

- (a) Integrated Rural Development Programme (b) ☒ Lead Bank Scheme
- (c) Mahatma Gandhi National Rural Employment Guarantee Scheme
- (d) National Skill Development Mission

19.11.1 🧑🌾🧑🔧💰 → 🏦 Pradhan Mantri Jan Dhan Yojana (PMJDY: प्रधानमंत्री जन धन योजना)



- ⇒ 2014: launched by FinMin → Dept of Financial Services with
- ⇒ **Motto** "Meraa Khaataa, Bhagya Vidhaataa". Scheme in two phases, 6 objectives:

PM JDY – phase I (2014-15) प्रथम चरण में	PM JDY – phase II (2015-18) द्वितीय चरण
1. Financial literacy (वित्तीय साक्षरता) 2. Banking within 5 kms 3. Account for every family with overdraft, with Rupay ATM-cum-DEBIT Card	1. Credit Guarantee Fund (For Overdraft defaults) उधर से बैंक के नुकसान की भरपाई 2. Direct Benefit Transfer (DBT) 3. Sell Micro insurance & pension products through bank.



- ⇒ PM-JDY bank account can be opened in any Commercial or Cooperative Bank provided that (1) bank has CBS (2) bank is tied with Rupay Payment Gateway. (अब किसी वाणिज्यिक या सहकारी बैंक में खाता खोल सकते हैं।)
- ⇒ Basic Savings Bank Deposit Account - Age 10/;> Zero balance- no penalty. But, Chequebook only with "balance"; (नाबालिगों के भी खाते खोले जा सकते हैं। बिना एक रुपया बचत जमा किए भी खाता खोल सकते हैं।)
- ⇒ There are restrictions on max. number of money withdrawals per month. (पैसे निकालने पर कुछ सीमाएं)
- ⇒ Overdraft upto ₹ 10k (originally ₹5k) depending on balance history of min. 6 months. Overdraft given on only one account holder in household (preferably woman).
- ⇒ Overdraft Money has to be returned with interest within 3 years. Banks to decide the loan interest rate. (ओवरड्राफ्ट में दिया पैसा ब्याज के साथ वापस करना होगा। ओवरड्राफ्ट कोई दान-खैरात नहीं है।)
- ⇒ EVERY Jan Dhan account comes with FREE Accident Insurance of ₹1 lakh (later increased to ₹2 lakhs); Premium paid by NPCi, it's therefore necessary to regularly use card- atleast for checking balance. Union Government employees, and income tax payers not eligible for this free insurance. (दुर्घटना/अकस्मात् सुरक्षा बीमा भी मुफ्त में मिलता है)
- ⇒ 🤖 **Significance?** JAM trinity (JanDhan, Adhar, Mobile) for targeted and direct transfer of subsidies, scholarship and payments to beneficiaries. (लाभार्थी के खाते में सीधा /प्रत्यक्ष लाभ हस्तांतरण)
- ⇒ 🧐 **Criticism?** PM-JDY accounts used as money mules during demonetization.
- ⇒ 2020: 🤖 **ATMANIRBHAR** → PM GaribKalyan → ₹500 per month to 20 crore women Jan Dhan accounts for 3 months. (कोरोना में महिलाओं के जन धन बैंक खातों में 3 महीनों के लिए थोड़ी-थोड़ी रकम जमा की)
- ⇒ 2023: Total money deposited in PM-JDY crosses ₹2 trillion.

19.11.2 📱 Jan Dhan Darshak App (2018)

Jointly developed by Department of Financial Services (DFS) & National Informatics Centre (NIC). It helps people find the nearby financial touch points such as Bank branches, ATMs, Post Offices etc.

AB CD ? PM Jan-Dhan Yojana' has been launched for: (Pre'2015) (a) providing housing loan to poor people at cheaper interest rates (b) promoting women's Self-Help Groups in backward areas (c) promoting financial inclusion (d) providing financial help to the marginalized communities

19.12 (👤🌾🧰💰) → 📌 **FIN INCLUSION: INVESTMENTS OTHER THAN BANK**

What if poor / lower middle-class person wants better returns than bank deposit? He may opt for...

Act	Small Savings Schemes: लघु बचत योजनाएं
Govt Savings Bank Act 1873 →	📌 Post Office saving schemes
Govt Savings Bank Act 1873 →	Senior Citizen Savings (2004)
Government Savings Certi Act '59 →	National Savings Scheme (NSC)'59
Government Savings Certi Act '59 →	Kisan Vikas Patra 1988-11, 2014
PPF Act 1968 →	Public Provident Fund (PPF)
No Act →	Sukanya Samriddhi Yojana '2015

- Individual eligibility, upper-lower limits etc. poor cost: benefit...except Sukanya Samriddhi.



- Money (usually) goes into National Small Savings Fund (NSSF) → loans to Union and (selected States), with technical norms which not imp for us.
- Here, interest rates are decided by FinMin's Dept of Economic Affairs on quarterly basis. (वित्त मंत्रालय का आर्थिक मामलों का विभाग इन योजनाओं की ब्याज दर तय करता है हर 3-3 महीने पर)

19.12.1 🧑🏻💰 Small Savings: Mahila Samman Bachat Patra (2023)

It is a new small savings certificate scheme announced in the 🧑🏻💰 Budget-2023.

Tenure	Two-year period up to 2025-Mar
Max. Deposit	upto ₹2 lakh per girl/woman
Interest	7.5%

19.12.2 🧑🏻💰 Small Savings: Senior Citizen Savings Scheme limits hiked

Matter	Before	After 🧑🏻💰 Budget-2023
How much money can be deposited in an account?	Upto ₹15 lakhs	Upto ₹30 lakhs

19.12.3 🧑🏻💰 → 🧑🏻🏠 Sukanya Samriddhi Yojana (2015)



- Parents open a (fixed deposit type) bank account in the name of a 0-10 years girl child, and deposit annually ₹ 250 to ₹ 1.5 lakhs till she reaches age of 14.
- FinMin's Dept of Economic Affairs announces interest rate (originally 9.1%, presently ~8.5%)
- Money (principal and interest) can be withdrawn @ the age of 18-21 depending on whether married or not. So, it indirectly prevents child marriages & empowers the grown-up daughter with money to pursue higher education, small business etc.
- 1 daughter = ONLY 1 account can be opened in this scheme. (एक बेटी के नाम पर सिर्फ एक)
- Maximum two daughters can be enrolled by parents/legal guardians.

19.12.4 ★📮🧑🏻🧑🏻🧑🏻🧑🏻🧑🏻🧑🏻 Five Star Village scheme by Dept of Post (2020)

गाँव वालों को विविध लघु बचत योजना और बीमा योजनाओं से जोड़ने की डाक विभाग की कोशिश

- ⇒ by Ministry of Communications Department of Post (संचार मंत्रालय → डाक विभाग)
- ⇒ Post offices will spread more awareness, enrol more villagers in the following schemes:
- ⇒ Small saving schemes such as Post office Savings Bank accounts, National small savings certificate Kisan Vikas Patra, Sukanya Samriddhi Accounts, public provident fund (PPF)
- ⇒ Insurance schemes such as Rural Postal Life Insurance Policy, Pradhan Mantri Suraksha Bima Yojana Account, Pradhan Mantri Jeevan Jyoti Bima Yojana Account.



19.12.5 🍌👤📧👥👥👥👥👥👥 Sampoorna Bima Gram Yojana (2017)

- ⇒ by Ministry of Communications Department of Post (संचार मंत्रालय → डाक विभाग)
- ⇒ In every district, atleast 1 village identified → In that village, cover all households with a minimum of one RPLI (Rural Postal Life Insurance) policy. (गांव के हर परिवार को कम से कम एक ग्रामीण डाक बीमा पॉलिसी बेची जाए)

19.12.6 🍌👤🌾👥👥👥👥👥👥 Model Insurance Villages (MIV) proposal by IRDAI (2021)

- Insurance Regulatory and Development Authority of India (IRDAI) proposed this
- To give complete insurance coverage to a village for its people's life insurance, health insurance, farm/crop insurance, animal (livestock) insurance, tractor/vehicle insurance etc.
- Funding/Subsidy by Union, State, Companies CSR Funds, NABARD & other AIFIs.
- (गाँववालों के लिए में सभी प्रकार के जीवन बीमा, सामान्य बीमा पॉलिसी उपलब्ध हो, ताकि वह एक आदर्श बीमा ग्राम बन जाए। ऐसी बीमा पॉलिसी खरीदने के लिए सरकार तथा अन्य संस्थानों द्वारा गांव वालों को सब्सिडी/रियायत दी जाए)

19.12.7 (👤🌾🔧💰) → 🏠 Chit Funds

- ⇒ Scam and its subsequent judgements = too outdated for 2023-24. So deleting it for #Prelims-RAFTAAR-🚗
- ⇒ Sufficient to know: Chit fund is a collective investment scheme.
- ⇒ Members contribute small, small amount of money, every month. And members are given loan from this fund. (सदस्य उसमें छोटी छोटी रकम जमा करते हैं और फिर सदस्यों को उसी में से लोन दिया जाता है)
- ⇒ Chit fund is a type of "contract" = subject to Concurrent list. So, both Union and State govt have laws for it. (समवर्ती सूची में होने के कारण केंद्र और राज्य दोनों इस पर कानून बनाते हैं लेकिन ढंग से निगरानी कोई कर नहीं पाता)
- ⇒ Scams happened due to lack of proper supervision / nexus with politicians. (इसलिए कांड होते रहते हैं)

19.12.8 🏠👤😞 Banning of Unregulated Deposit Schemes Act, 2019

- अनियमित जमा योजनाओं पर प्रतिबंध कानून
- If an entity is soliciting public to deposit /invest money, then it could be regulated by RBI (Bank, NBFC-D, Home loan NBFCs etc), SEBI (MF, ReITs, InvITs etc), IRDAI & PFRDA, Corporate Affairs ministry (NIDHI), State Governments (chit fund), EPFO, etc.
- A deposit-taking scheme is defined as 'unregulated' if person is asking people to deposit/invest money but he has not registered with any of the above organizations. E.g. builders, jewellers, etc. Act prohibits advertisement & money collection in it. (ऐसी कोई भी बचत योजना जो किसी भी वित्तीय नियंत्रक के दायरे में नहीं आती उसे गैरकानूनी माना जाएगा)
- Penalty upto ₹50 crores and jailtime upto 10 years + attaching the assets to refund depositors within prescribed timelines. (जुर्माना, कारावास, संपत्ति की जब्ती)
- Union to setup an online central database of deposit-taking activities in the country.

19.13 🍌👤🌾🔧💰 ← (💰🔪) FINANCIAL INCLUSION: CREDIT (LOANS: ऋण)

Self Study? Pillar#1A2: Monetary Policy → PSL. Pillar#1B1: Classification → microfinance



19.13.1 (💰🔪)🔄=(💰💰) Refinance (पुनर्वित्त)

- When an AIFI (or MUDRA) gives new finance to Banks/NBFCs based on the quantum of finance they (Bank/NBFC) have already given to end-borrowers.
- Usually works via **securitization** of the previous loan papers.

19.13.2 🧑🌾🔧: 🧑←(💰🔪) Credit Guarantee (ऋण अदायगी गारंटी)

- Credit Guarantee **Meaning?** if borrower defaults, then losses of banks/NBFCs will be covered by credit guarantor. So, Bank/NBFC can lend confidently without requiring borrower to pledge collaterals.
- Earlier DICGC used to give credit guarantee, but now this work is done other organizations

19.13.3 🗒️ Financial inclusion: Credit Guarantee various orgs.

Organization	Credit Guarantee Fund	Loans covered
SIDBI + Govt	Credit Guarantee fund trust for Micro & Small Enterprise (CGTMSE)	Loans to Micro & Small Enterprise
Dept. of Financial Services	National Credit Guarantee Trustee Company (NCGTC)	- Mudra, ECLGS, Stand up India, Skill & Education loans. - Education loan upto Rs.7.50 lakhs is backed by this org.
NCGTC	Credit Guarantee Scheme for MFIs (CGSMFI) (2021)	Loans given by Microfinance institutions to poor people.
NCGTC	Credit Guarantee Fund Scheme for Skill Development (CGFSSD)	Loans for skill development.
Commerce Ministry	Export Credit Guarantee Corporation of India fund (ECGC)	Exporters

19.13.4 🗒️ Credit guarantee cover increased in 🎒 Budget-2025:

Beneficiary	Before	After
Micro and Small Enterprises	₹5 cr	₹10 cr
Startups	₹10 cr	₹20 cr
Well-run exporter MSMEs	Nothing / Unknown	₹20 cr

19.13.5 🗒️ Financial inclusion: Credit Guarantee Fund for Education Loans (CGFEL)

Upto ₹10 lakh rupee collateral free education loans given to students.

NCGTC gives credit guarantee.

19.13.6 🧑🏠🏭 MSME: Definition changed in ATMANIRBHAR (2020)

- 2006: Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 gave definition of micro, small and medium enterprises. It was later changed in 2020 and 2025.



2006 definition	Micro	Small	Medium
Mfg.	Investment < 25 Lakh	Investment < 5 cr	Investment < 10 cr
Services	Investment < 10 L	Investment < 2 cr	Investment < 5 cr
2020	2020-Atma Nirbhar Reform 📌		
Mfg & Services Both	Investment < 1cr & Turnover < 5cr	Investment < 10cr & Turnover < 50cr	Investment < 50cr & Turnover < 250cr
2025	Budget-2025: Reform 📌		
Mfg & Services Both	Investment < 2.5 cr & Turnover < 10cr	Investment < 25 & Turnover < 100cr	Investment < 125cr & Turnover < 500cr

in above image, read "<" sign as "NOT MORE THAN (से अधिक नहीं)"

Investment: निवेश annual turnover: वार्षिक कारोबार

FAQ: do I've to remember old definition of 2006 & 20? Ans. Yes for StatePSC exams as they don't update Question bank frequently.

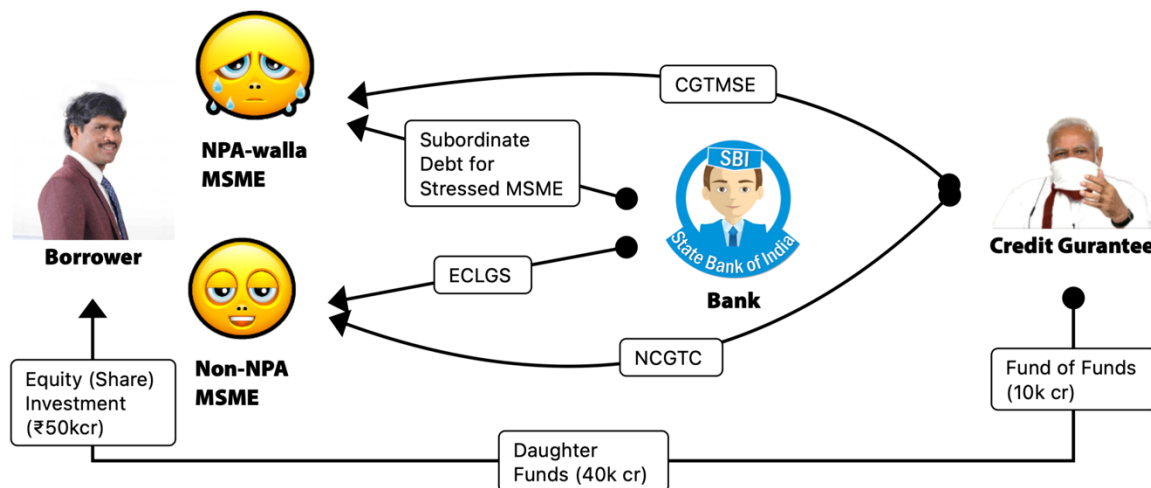
MCQ. Find Correct statement(s) [Prelims'23-SET-A-Q022]

- 1) 'medium enterprises' means investments in plant and machinery between ₹15 to 25cr
- 2) All bank loans to the MSME qualify under the priority sector

Answer Codes: - A) only 1 - ☒ B) only 2 - C) both 1 and 2 - D) neither 1 nor 2.

There was some debate about statement, but official answer-key says B.

19.13.7 🗡️🏭 MSME Non-NPA borrower → ECLGS 1.0



⇒ Corona Lockdown → MSME business hurt → need loans to restart business → Emergency Credit Line Guarantee Scheme (ECLGS: आपातकालीन क्रेडिट लाइन गारंटी योजना).

⇒ Eligibility?

- MSME Previous outstanding loan account can't be more than ₹25 crores, and can't be an NPA. (जिनके लोन-खाते अभी एनपीए/अनर्जक परिसंपत्ति की श्रेणी में नहीं है)

⇒ New/ Extra Loan Amount? 20% of the outstanding loan.



- ⇒ **Loan Tenure?** 4 Years (मियादी/समयकाल)
- ⇒ **Loan Interest?** 9.25% (Bank), 14% (NBFC).
- ⇒ **Collateral?** Not required. (गिरवी कुछ भी नहीं रखना होगा)
- ⇒ If the borrower doesn't repay loan principal or interest → Credit guarantee covered by NCGTC (National Credit Guarantee Trustee Company Limited), a company under the Dept of financial services in FinMin.

19.13.8 🧑🏠🏭 MSME Non-NPA borrower → ECLGS 2.0 (Atma-Nirbhar 3.0)

It was launched during the Atmanirbhar Bharat 3.0 package (November 2020)

🧑🏠 Eligibility? (Two conditions must be fulfilled simultaneously)

- 1) MSME as well as Non-MSME (large) firms operating in
 - (a) Healthcare sector (स्वास्थ्य क्षेत्र) OR
 - (b) 26 stressed sectors Identified by RBI is KV Kamath committee (e.g automobiles, tourism, cement, gems and jewellery etc तनावग्रस्त क्षेत्र) AND
- 2) Its outstanding loans are > ₹50 crore - upto ₹ 500 Crore (as on 29.2.2020)

👤 Benefit?

- ✓ Extra 20% loans against outstanding loans. (कर्जा बकाया है उसके सामने 20% अतिरिक्त कर्ज दिया जाएगा)
- ✓ Interest Rate not explicitly mentioned in Press-Statement. (योजना की प्रेस विज्ञप्ति में स्पष्ट रूप से खुलकर नहीं बताया, तो हमने खुद से गूगल सर्च मारने की कोई जरूरत नहीं है#🕒 थोड़ा-पढ़ो-आगे-बढ़ो)
- ✓ Repayment tenure of above loan: 5 years including 1 year moratorium on principal repayment. (5 साल में कर्ज चुकाना होगा और उसमें भी 1 साल तक मूलधन चुकाने पर रोक)

👛👤 Budget-2022: This scheme is continued, with more funds.

19.13.9 🧑🏠🏭 MSME NPA borrower → Subordinate Debt (गौण ऋण)

ऋण अदायगी गारंटी- उन आर्थिक तनावग्रस्त उद्योगों के लिए जिनके लोन-खाते पहले से एनपीए श्रेणी में आ चुके हैं।

- ⇒ **Beneficiary?** MSME whose loan account is in NPA/ stressed category. लघु/
- ⇒ Such stressed MSME to be given subordinate loan Upto ₹75 lakhs to revive business.
- ⇒ **Tenure/Interest?** Not clearly mentioned.
- ⇒ If the borrower doesn't repay loan principal or interest → Credit guarantee by CGTMSE (Credit Guarantee Trust for Micro and Small enterprises, an org funded by SIDBI + Govt).

19.13.10 🧑🏠🏭 MSME → Equity infusion via Fund of Funds (निधियों की निधि)

- ⇒ Govt will set up a Fund of Funds with ₹10,000 crore.
- ⇒ This FoF will invest in daughter funds (who'll supply ₹40k cr from their funds). So, total 10k+40k=50k equity funding/infusion to MSME. (इक्विटी के रूप में कंपनी में जान फूंकना)

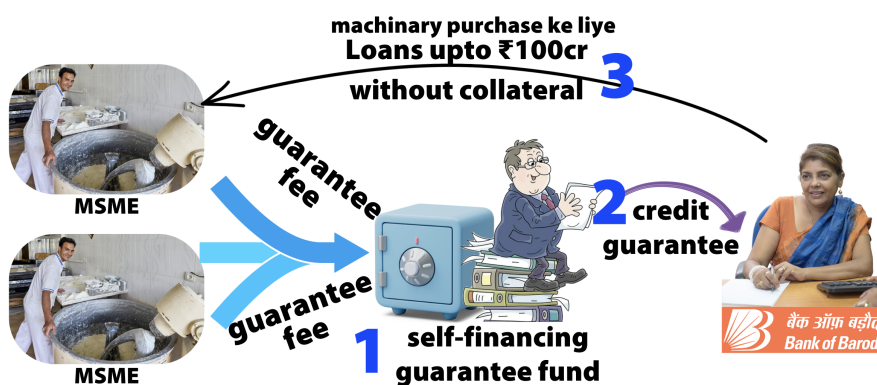


19.14 🏭🔪👛 BUDGET-2024: MSME LOAN ANNOUNCEMENTS

19.14.1 🏭🔪👛 MSME Faster loan approval via digital footprint 🏠 Budget-2024:

loan application	Before	After (2024 Reform)
MSME loan application assessment	Relied on external agencies for credit-rating/score.	In-house/internal capability built by public sector banks.
Loan approval criteria	Asset or sales of the firm.	Digital footprint of MSMEs (e.g. UPI transactions)
MSME's formal Account book/balance-sheet required?	yes	not compulsory.

19.14.2 🏭🔪👛 Budget-2024: CREDIT GUARANTEE FOR MSMEs IN THE MFG SECTOR



Note: exact details yet to be announced. above is rough idea from the budget speech.

19.14.3 🏭🔪🚢 Interest Equalization Scheme for MSME-exporters

- basically, government gives 2 to 3% loan interest subsidy to the MSME exporters depending on the type of product, they are exporting. (निर्यातक एमएसएमई ने बैंकों से जो कर्ज लिया है उसका कुछ ब्याज सरकार भरेगी।)
- Boss? Commerce ministry → Directorate General of Foreign Trade (DGFT) → gives the funds to RBI → RBI releases to the bankers.

💡 **Note:** This handout only deals with 'loan' component of MSME. For other MSME issues/challenges, refer (More in 📄 Pillar#4B → MSME)

19.15 🚫🏠👤🏛️🚫👤🌾 NBFC → MUDRA (2015, 100% SIDBI SUBSIDIARY)

- Micro Units Development & Refinance Agency. (सूक्ष्म इकाई विकास एवं पूनः वित्तपोषण एजेंसी)
- Objective?** provides indirect lending via SCB, RRB, Cooperative Banks, MicroFinance Inst & other NBFCs. (अनुसूचित वाणिज्य बैंक क्षेत्रीय ग्रामीण बैंक सहकारी बैंक गैर बैंक वित्तीय कंपनियों द्वारा परीक्षा रूप से कर्ज देता है)
- Ownership?** It's wholly owned by SIDBI, and also receives the funding from PSL-shortfalls via RBI, and budgetary support via Department of Financial Services.



- **Beneficiary?** Micro Enterprises from Agri-allied sectors, mfg & service sector who are not registered under the companies act = Non-corporate type. (जिन्होंने कंपनी कानून में पंजीकरण नहीं करवाया)

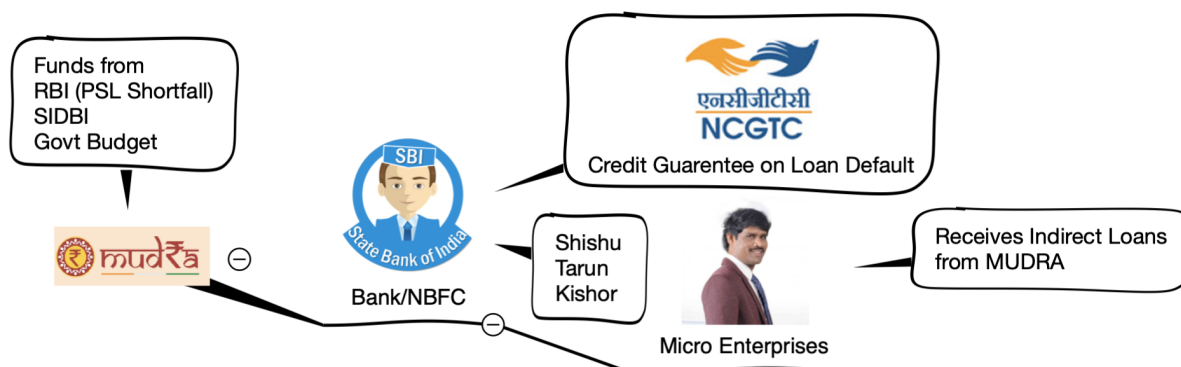


Table 1: Mudra-Products:

<u>Pradhan Mantri MUDRA Yojana</u>	<u>MUDRA Rupay Card</u>
1) Shishu : loans upto 50,000/- 2) Kishor : >50,000/- upto 5 lakh 3) Tarun : > 5 lakh and upto 10 lakhs (later ↑ to 20 lakh in Budget-2024^^)	- ATM cum Debit Card issued against MUDRA loan account- for working capital component. - Can be accessed in all modes like a routine debit card (ATM, Point of Sale Device, Online etc.)

- ^^ this ₹20 lakh facility is for those borrowers who repaid previous Tarun loans successfully.
- Mudra loans are collateral-free (जमानत से मुक्त). If borrower defaults on loan, then lender's losses are covered through Credit Guarantee Fund for Micro Units [CGFMU] which is operated by National Credit Guarantee Trustee Company Ltd. [NCGTC, 2016]- which is a private ltd company by Dept of Financial Services in Finance Ministry.
- 🤖 **MUDRA Challenges?** (1) Loan Interests are high (2) Rising NPA/Bad loans.

MCQ. Pradhan Mantri MUDRA Yojana is aimed at (Asked in UPSC-Pre-2016)

- bringing the small entrepreneurs into formal financial system
- providing loans to poor farmers for cultivating particular crops.
- providing pensions to old and destitute persons.
- funding the voluntary orgs involved in skill development and employment generation.

MCQ. Find wrong for PM Mudra Yojana (PMMY)? (CAPF-2024_SetA_Q105)

- (a) It was launched in 2015
- (b) It grants loans of up to Rs. 15 lakhs for income generating mfg, trading and services sectors
- (c) Under this scheme only the term loan requirements can be met and not the working capital requirements
- (d) There is no insistence on collateral for the sanction of loan
- Note: this is debatable MCQ because we have to find wrong & there are two wrong statements &



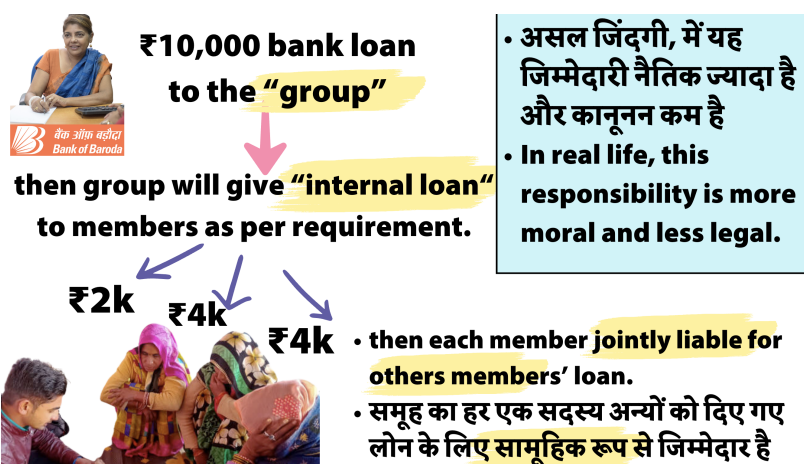
- Option (b) wrong: Mudra max loan ₹ 10 lakh (before 2024), ₹ 20 lakh (after Budget-2024)
- option (c) wrong. Mudra loan provides debit card for using loan money for working capital. (As per MUDRA's official website.)

19.15.1 🧑♀ Stand Up India Scheme, 2016 (उत्तिष्ठ भारत)

- **Boss?** FinMin's Dept of Financial Services (वित्तीय सेवा विभाग)
- **Objective?** Each SCB bank branch to give Greenfield Loans between ₹10 lakh and ₹1 Crore to at least 1 SC/ST and atleast 1 Woman entrepreneur with tenure upto 7 years.
- **Collateral?** Bank can ask collaterals. If loan without collaterals, then Credit Guarantee Fund for Standup India (CGFSI) operated by NCGTC.
- **Budget-2019:** this scheme extended till 31/3/2025.
- **Margin money** = is the amount of money that a bizman has to arrange by himself from his own pocket/savings for the given biz-project. Remaining amount is given as a loan by the bank.

👛 Budget-2021: 1) 📄 margin money requirement from 25% to 15%. 2) Agri-biz also eligible.

19.15.2 🧑🧑 Self-help group (स्व-सहायता समूह) → Credit



- SHG is an informal group of 10-20 local people to combine their savings/ resources, engage in biz activity like weaving, agarbatti etc अपनी बचत और संसाधनों की मदद से कुछ छोटा उत्पादन करने वाला गरीब लोगों का एक अनौपचारिक समूह
- and not registered in as a firm / company under partnership act or companies act etc.
- 1992: NABARD started SHG-Bank linkage program wherein SHG given loans without collateral.
- Self-Help Groups are formed under the government schemes like National rural livelihood mission (NRLM). More in 📄 Pillar#6]

📄 MCQ: Find Correct [Prelims-23-SET-A-Q074]

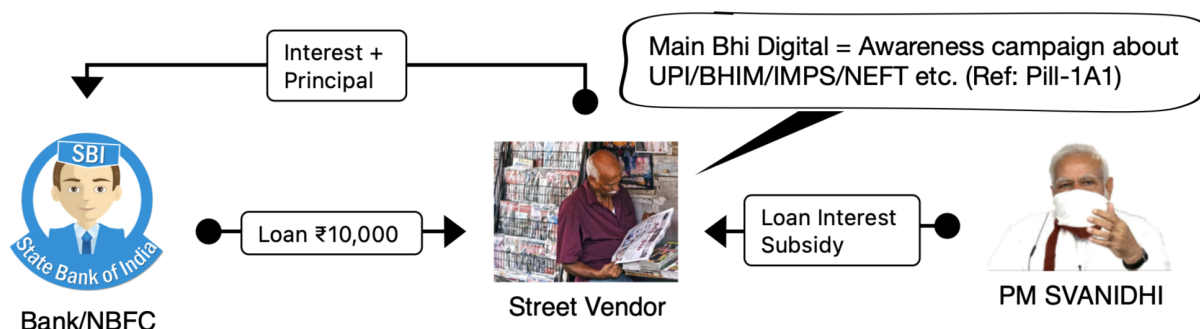
1. The Self-Help Group (SHG) Programme was originally initiated by the State Bank of India by providing microcredit to the financial deprived people.
2. In an SHG, all members of a group take responsibility for a loan that an individual member takes.



3. The Regional Rural Banks and Scheduled Commercial Banks support SHGs.

Codes: (a) Only one (केवल एक) (b) Only two (केवल दो) (c) All three (सभी तीन) (d) None

19.15.3 🏠👤🏠 PM Street Vendors's AtmaNirbhar Nidhi Scheme (PM-SVANidhi)



⇒ Boss? Ministry of Housing and Urban Affairs (MoHUA)- आवास और शहरी मामलों का मंत्रालय

⇒ Loan Tenure: 1 year. Repayment to be done on a monthly basis.

⇒ Loan Interest? approx @7.25% & if vendor repays in timely fashion → govt will give 7% interest subsidy in his bank account. (फेरीवाला ने रुण अदायगी नियमित रूप से की तो ब्याज में सरकार राहत/सब्सिडी देगी)

⇒ If vendor repays the loan on time, then he can apply for more loans, as follow:

Cycle	1st cycle	2nd cycle	3rd cycle
Loan Amt	₹10,000	₹20,000	₹50,000

👛 **Budget-2025:** Svanidhi vendors to get ₹30,000 limit ka credit card. (How does it fit in above cycles given in above table. Ans. I don't know, govt has not clarified.

19.15.4 🏠👤🏠 SVANidhi → Main Bhi Digital (2021)

⇒ MoHUA to give ₹₹ to Urban Local Bodies (ULBs: नगरपालिका को शहरी मंत्रालय पैसा देगा)

⇒ To spread digital literacy among street vendors who took SVANidhi Loans e.g. How to use UPI, BHIM, Netbanking. Connect food-street vendors with online e-commerce players like Swiggy-Zomato etc to expand street-vendors' sales etc. (सड़क विक्रेताओं को डिजिटल भुगतान और डिजिटल बिक्री माध्यमों की जानकारी देना)

19.15.5 🏠👤🏠 SVANidhi → Rashtriya Udyamita Vikas Pariyojana (2024)

- Also called PM Svanidhi National Entrepreneurship Development Project.
- Boss? Ministry of Skill Development and Entrepreneurship.
- PM-Svanidhi Wall Street vendors will get 22 weeks of entrepreneurship training on how to expand their business.
- Training Mode? Offline, online, and hybrid (both online + offline).
- Trainees will get a stipend and certificate.

Training partners/org: (1) Flipkart, (2) Indian Institute of Entrepreneurship (IIE), Guwahati, (3) National Institute for Entrepreneurship and Small Business Development (NIESBUD), Noida.

19.16 🧵🏠 PM VISHWAKARMA SCHEME FOR LOAN & SKILL TRAINING (2023-SEPT)

- Boss? MSME Ministry



- **Beneficiaries?** 18 trades, viz. (i) Carpenter (Suthar/Badhai); (ii) Boat Maker; (iii) Armourer; (iv) Blacksmith (Lohar); (v) Hammer and Tool Kit Maker; (vi) Locksmith; (vii) Goldsmith (Sonar); (viii) Potter (Kumhaar); (ix) Sculptor (Moortikar, stone carver), Stone breaker; (x) Cobbler (Charmkar)/ Shoesmith/Footwear artisan; (xi) Mason (Rajmistri); (xii) Basket/Mat/Broom Maker/Coir Weaver; (xiii) Doll & Toy Maker (Traditional); (xiv) Barber (Naai); (xv) Garland maker (Malakaar); (xvi) Washerman (Dhobi); (xvii) Tailor (Darzi); and (xviii) Fishing Net Maker.



Entitlements are as follows:

- ✓ Recognition through (A) PM Vishwakarma certificate and ID card. (B) They'll be registered as 'entrepreneurs' in Udyam Assist Portal.
- ✓ Skill Upgradation: Basic Training of 5–7 days and Advanced Training of 15 days or more, with a stipend of Rs. 500 per day;
- ✓ Toolkit purchase ke liye upto Rs. 15,000 e-vouchers at the start of Basic Skill Training.
- ✓ Govt to pay bonus/Incentive of Rs.1 per digital transaction, upto max Rs.100 per month
- ✓ Marketing Support. And Loan support (see next section 📌)

19.16.1 → PM Vishwakarma ☑️ Loan Interest on PM Vishwakarma

Collateral free 'Enterprise Development Loans' upto ₹ 3 lakhs

Matter	%
A) loan interest paid by beneficiary to banker	5%
B) interest subvention (subsidy) given by government to banker	8%
Total interest earned by banker (A+B) =	13%

🚩👤 FAQ: isn't this illogical if the 5% paid by beneficiaries and 8% paid by govt ? Ans. PIB not bothered to explain "why" part in the scheme document.

19.16.2 🧑🌾🏠 Kisan Credit Card (1998)

1998: Launched by RBI + NABARD. Farmer gets credit card from PSB, RRB, State Coop Banks for:

- Can swipe it to buy farm inputs (seeds, fertilizers, pesticides etc.)
- Investment credit requirement for agriculture, Working capital for maintenance of farm assets, Post-harvest expenses, (फसल काटने के बाद होने वाले खर्च)
- Consumption requirements of farmer household; (घर में उपभोग हेतु खर्च)
- Can withdraw cash (as loan). Money to be repaid with interest.
- Accidental insurance also given.
- Budget-2018: Kisan Credit Card (KCC) extended to Animal Husbandry and Fisheries farmers.



AB CD ? MCQ. Under the Kisan Credit Card scheme, short-term credit support is given to farmers for which of the following purposes ? (UPSC-Prelims-2020)

1. Working capital for maintenance of farm assets
2. Purchase of combine harvesters, tractors and mini trucks
3. Consumption requirements of farm households
4. Post-harvest expenses
5. Construction of family house and setting up of village cold storage facility

Codes: [a] 1, 2 and 5 only [b] 1, 3 and 4 only [c] 2, 3, 4 and 5 only [d] 1, 2, 3, 4 and 5

19.16.3 Farm Loans → collateral free loans quota by RBI

Matter	Before	From 1/1/2025
Agri & Allied activities (animal, dairy, fishing etc)	₹1.6 lakh	₹2 lakh

Beyond this limit, if farmer needs more loan he has to pledge land, property, gold, fixed deposit certificate (ref1A2), negotiable warehouse receipt (NWR, more in pill4A) etc. as collateral. (इससे अधिक कर्जा चाहिए तो किसान ने कुछ गिरवी रखना होगा)

19.16.4 🧑🌾 Farmers → Modified Interest Subvention Scheme(MISS/KCC)

Farmer can apply for this loans via bank-branch and/or via Kisan credit Card (KCC)

Short-term Agri-loans	% Interest
loan interest	9%
for every farmer, Govt pays	2%.
effective interest paid by every farmer	9-2=7%
a farmer repaying loan in timely fashion, then govt pays extra	3%
effective interest paid by honest/punctual farmer	9-2-3=4%

19.16.5 🧑🌾 Farmer → loan quota of MISS-KCC ↑ in Budget-2025:

Loan quota per farmer	Before	After 🧑🌾 Budget-2025
Farming	₹3 lakh	₹5 lakh
Allied activities- animal husbandry, dairying, and fisheries.	₹1.60 lakh	no change/not-clarified.

19.17 🌾🧑🌾💰🧑🌾 FARM LOAN WAIVER (कृषि ऋण माफी)

19.17.1 🌾🧑🌾💰🧑🌾 Agri-Finance → Loan waivers for the farmers

Shifted to Mains. Gist of the matter is that economic survey is opposed to loan waivers because then farmer become irregular in returning the loans, whenever the elections are near.



19.18 🍪👤 FINANCIAL INCLUSION: INSURANCE & PENSION

- Various schemes are given in previous sections: But just to quickly recall the notable terms:
Insurance: Postal Life, ESIC, PM Jeevan Jyoti & Surksha Bima (₹2 lakh), PM-JAY (₹5 lakh annual health insurance per family), PM-Fasal Bima (1.5-5% premium);
- **Pension:** EPFO, NPS, Atal Pension (1-5k), PM Shram Yogi Mandhan (3k), PM Vay-Vandana (8%@LIC), Maan-Dhan Yojanas (3k/pm)

19.18.1 🍪👤 Micro Insurance (सूक्ष्म बीमा)

- ⇒ Insurance policy may be Life / General Insurance with a very low premium.
- ⇒ When small sum insured (upto ₹50k) & target audience is poor / villagers / farmers.
- ⇒ It may be an individual / group based insurance. Intermediaries such as NGO, SHG, MFI help in selling such policy. Policy/ Contracts are given in local language. e.g. LIC's Jeevan Madhur and Jeevan Mangal

19.18.2 🚲🍴🚗 Gig Workers' social security code (गिग कर्मों की सामाजिक सुरक्षा संहिता)



- ⇒ **Informal workers** (अथवाविधि कर्मों)= doesn't have formal job contracts with employers. E.g. Domestic Maids, Brick Kiln Workers, Construction Labourers, Chowkidar, Dhaabaa cooks/waiters etc.
- ⇒ **Gig workers** (गिग कर्मों)= Uber Taxi Drivers, Amazon/Zomato Delivery boys, Urbanclap's beauticians/ plumbers/ AC repairman, Unacademy Educators etc. They are freelancers / independent contractors (स्वतंत्र ठेकेदारों) hired by startup or digital companies for short-term engagements. While they may have some written contract to deliver services to the company, but the contract is worded in such manner they are not "regular employees" of a company = not eligible for EPFO, ESIC etc.
- ⇒ 2019-Sept: Labour Ministry drafting a "social security code for all informal & gig workers". It aims to provide 'insurance on death/disability/sickness', maternity benefit, pension, scholarship for their children etc. (मृत्यु / विकलांगता / बीमारी पर बीमा, मातृत्व लाभ, पेंशन, गिग कर्मों के बच्चों को छात्रवृत्ति)

19.18.3 🍷 Budget-2025: Loans, Financial inclusion, MSME, Gig-worker

Target	Announcement
Gig-workers	will get free ₹5 lakh Health insurance under PM Jan Arogya Yojana, IF they register on Labour ministry's e-Shram portal.
Farm loans under KCC/MISS	limit raised from ₹3 lakh to ₹5 lakh.
Dak Sevaks/Postmen	will focus on financial inclusion of rural India.
MSME new definition	Investment and turnover limits enhanced to 2.5 and 2 times



	respectively.
credit guarantee cover	Increased for the MSME and Startups
New Entrepreneurs	Scheme for First-time Entrepreneurs from women, SC & ST will be given loans up to ₹2 crore. (this is probably a new & different scheme from stand-up India, but they are yet to announce the name)
New Credit cards	PM SVANidhi vendors: credit cards with ₹30,000 limit. Micro enterprises: credit card with ₹5 lakh limit.

19.18.4 UNORGANISED WORKERS' SOCIAL SECURITY ACT, 2008

- Requires union to setup National Social Security Board under chairmanship of Labour Minister (श्रम मंत्री की अध्यक्षता में राष्ट्रीय सामाजिक सुरक्षा बोर्ड।)
- Requires the States to setup similar boards at State level- to look after the social security benefit of the unorganised sector workers. (राज्य स्तर पे भी ऐसे बोर्ड का गठन)
- require setting up set up a National Social Security Fund for unorganised sector workers with an initial allocation of Rs 1000 crore. (राष्ट्रीय सामाजिक सुरक्षा कोष)
- Similar funds at State level.
- Law requires the union government to enact various schemes for (a) life and disability cover; (b) health and maternity benefits; (c) old age protection for these workers. ()

Sr	Name	Description
1	Indira Gandhi National Old Age Pension Scheme	learned under NSoAP
2	National Family Benefit Scheme	learned under NSoAP
3	Janani Suraksha Yojana	BPL women given money to delivery child @hospital. (Ref: Pillar#6A for more)
4	Handloom Weavers' Comprehensive Welfare Scheme	not enough exam worthyGK
5	Handicraft Artisans' Comprehensive Welfare Scheme	not enough exam worthyGK
6	Pension to Master craft persons	not enough exam worthyGK
7	National Scheme for Welfare of Fishermen and Training and Extension	not enough exam worthyGK
8	Janshree Bima Yojana	this was merged with Aam Admi Bima Yojana in 2013
9	Aam Admi Bima Yojana	LIC + Govt of India's scheme for unorganised sector workers.
10	Rashtriya Swasthya Bima Yojana	subsumed/merged inside the PM-JAY ₹5 lakh



	health insurance.
--	-------------------

FAQ: Most of these schemes are low-profile / outdated / merged → then why government not updating the law with latest schemes' list? Ans. Send suggestion to PM.

MCQ. Which one of the following schemes is not a Social Security Scheme under the Unorganised Workers' Social Security Act, 2008? (EPFO-2023) (a) National Family Benefit Scheme (b) Janshree Bima Yojana (c) Employees' Pension Scheme (d) Rashtriya Swasthya Bima Yojana

19.19 FINANCIAL INCLUSION: CUSTOMER PROTECTION (ग्राहक सुरक्षा)

Bank/NBFC (under RBI)	Share/commodity	Insurance (IRDAI)	Pension
Ombudsman: Bank, NBFC, Digital Transaction (given below)	SEBI's SCORES Portal → SEBI → SAT	⇒ Insurance Ombudsman via IRDAI Act '1999, hears matters upto ₹30 lakhs. If higher claim then consumer courts / other courts. ⇒ Higher appeal against IRDAI → SAT	- If EPFO- then its internal machinery - If NPS: NSDL → PFRDA. - If pvt sector pension company's scheme: PFRDA → SAT.

19.19.1 RBI's 3 Ombudsman (ओम्बड्समेन/ शिकायत निवारण अधिकारी/लोक प्रहरी)

- 2021-Feb: BEFORE: RBI appointed 3 types of ombudsman for consumer complaints: (i) Banking Ombudsman Scheme (ii) NBFC Ombudsman (iii) Digital Transaction Ombudsman.
- After: Integrate these 3 into a **One Nation One Ombudsman / Integrated Ombudsman Scheme** (एकीकृत शिकायत निवारण अधिकारी योजना)

19.20 FINANCIAL INCLUSION: WEB PORTALS

19.20.1 PaiSA Portal (2018) Outdated for 2024-25. Deleting it.

19.20.2 psbloansin59minutes.com (2018)

portal by SIDBI & 5 PSBs. GST-registered MSME get loans 10L to 1 cr. Without collaterals. if loan approved then ₹1000 fees need to be paid

19.20.3 Jan Samarth Portal (2022)

- ⇒ Finance Ministry's single portal to help beneficiaries to apply for various Government loan schemes for Education Loans, Agriculture Loans, Business Activity (livelihood) Loans, etc.
- ⇒ It connects borrower with 125+ banks and NBFCs for loan application.
- ⇒ When person applies for business loan, the portal cross-checks his UIDAI-Aadhar number, income tax, GST, UDYAM (MSME registration number), CIBIL credit score etc data/scores for faster loan processing



19.20.4 📄 Portal: SARTHI (Insurance) Portal for farmers and villagers (2024)

- Boss? Agri ministry, with the help of UNDP India (United Nations Development Programme).
- Helps farmers/villagers to buy crop insurance, insurance for life/health/tractor/shop, etc.

19.20.5 📄 Portal: PM-SURAJ loan portal for weaker section (2024-Mar)

- Boss? Ministry of Social Justice and Empowerment
- Pradhan Mantri Samajik Utthan and Rozgar Adharit Jankalyan' (PM-SURAJ) portal
- Target? Give loans to 1 lakh entrepreneurs hailing from disadvantaged communities such as SC/ST/OBC/Nomadic tribes etc.
- The loan will be given by the Bank/NBFC. Loan interest subsidy/credit guarantee may be given by the Social Justice Ministry. Note: This is very fresh news. full details not available. Some facts may get changed later on.

19.20.6 📄 Financial inclusion: right to digital access - SC Judgement (2025)- ref Mains HDT REFER to mains handout.

19.21 📄 FINANCIAL INCLUSION: VARIOUS REPORTS (भारत का प्रदर्शन)

I'm not writing the ranks here because it will be very poor cost benefit memorising it for exam.

Global Microscope Report	The Economist Magazine's Economist Intelligence Unit, Accion global NGO & partners like Bill & Melinda Gates Foundation, Metlife foundation etc.
Global Findex Database	World Bank with help of Bill & Melinda Gates Foundation
Global Pension Index	Mercer CFA Institute, Canada. India's index value decreased from 45.9 in 2023 to 44 in 2024 says 📄 ES25.
Indian Govt's Financial Inclusion Index	Finance Ministry's Department of Financial Services (DFS).
RBI's Financial Inclusion Index launched in 2021	- 3 parameters: Access, usage and quality. - Score 0% = total pathetic. 100% = full financial inclusion. - Value ↑ from 64 (2024) to 67 (2025)
National Strategy for Financial Inclusion	By RBI

19.21.1 📄 Mains Answer Writing ki pipudi

Questions centered around benefits of various government schemes, reforms to improve financial inclusion, arguments in favour and against the FDI in insurance sector, merits/demerits of giving farm loan waiver etc. This handout deals with only prelims. Separate course for mains.

NEXT Handout: Pillar2: Budget, Taxation



PILLAR #2: BUDGET, TAXATION, Subsidies, Disinvestment, Deficit, Public Finance

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20 🍌👤 PILLAR #2: BUDGET: RELEVANCE IN UPSC?

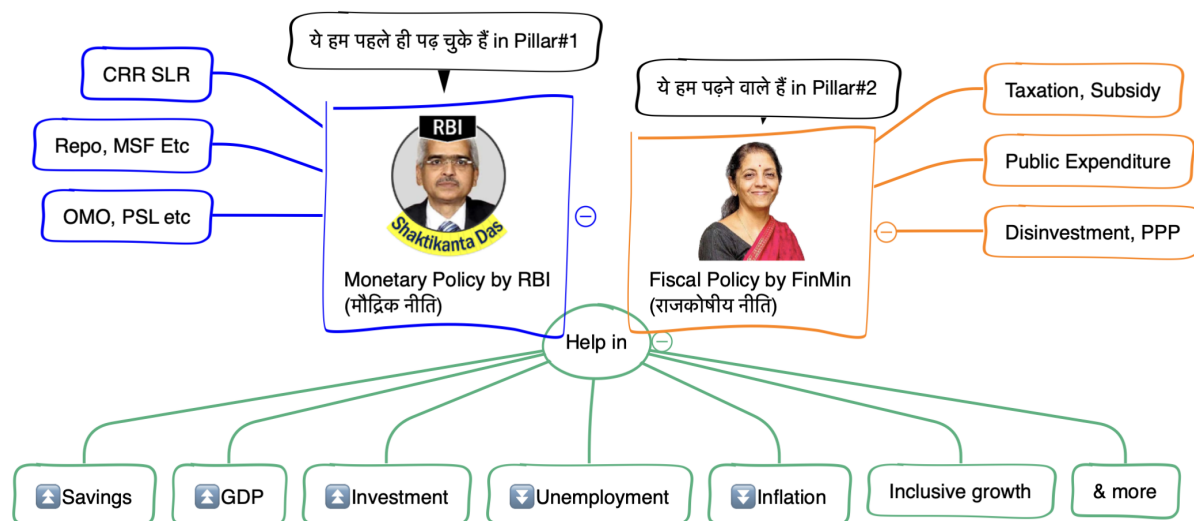
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
MCQ	3	3	4	1	1	2	3	1	0	6		

20.1 🍌👤 FISCAL POLICY (राजकोषीय नीति): MEANING & SIGNIFICANCE

- 'Fiscal' is a word derived from Greek. Means 'basket' and symbolizes the public purse.
- Fiscal Policy is the set of Govt. decisions regarding taxation, expenditure, subsidies and other financial operations. (कराधान, व्यय, सब्सिडी और अन्य वित्तीय संचालन हेतु सरकार द्वारा लिए गए निर्णय)
- Using fiscal policy, Govt influences the savings, investment and consumption in an economy, to accomplish certain national goals such as income redistribution, socio-economic welfare,



economic development and inclusive growth. (बचत, निवेश और खपत को सरकार को प्रभावित करती → आय का पुनर्वितरण, सामाजिक-आर्थिक कल्याण, समावेशी विकास हो सकता है)

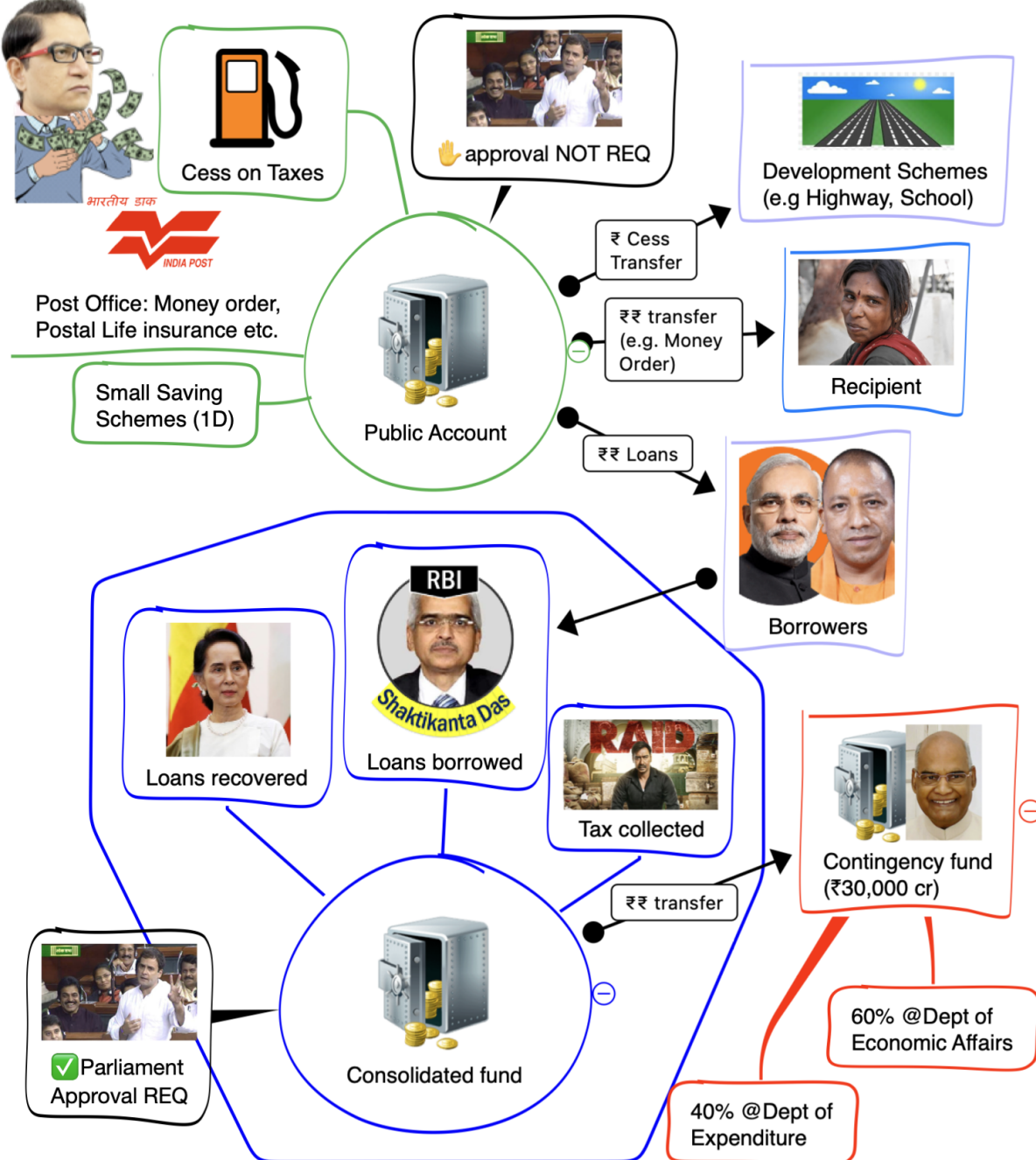


A well planned Fiscal Policy can help in following arenas:

- ✓ **Jobs/ Employment:** through welfare schemes/ rural employment programmes like MGNREGA (More in pillar6) (लोक कल्याणकारी योजनाओं द्वारा पूर्ण रोजगार)
- ✓ **To Fight Inflation (मुद्रास्फिति):** Higher Income tax → ↓ disposable income (व्यय योग्य आय) → demand curbed, To fight deflation = ↓ direct and indirect taxes to boost demand. (More in pillar4: Inflation) (अपस्फिति से लड़ने के लिए करों में कटौती करे माँग को बढ़ाएँ)
- ✓ **To Boost Economic Growth:** Provide income tax benefits on household savings in LIC/Mutual Fund etc. → industries get new capital investment → factory expansion, jobs, GDP growth. (More in pillar4: GDP) (करों में रियायतें दे कर निवेश को बढ़ोतरी, आर्थिक वृद्धि को बढ़ोतरी देना)
- ✓ **To Boost Inclusive Growth (समावेशी विकास):** Higher taxes on rich → use money for health, education, women, poverty removal programs. (More in pillar6: Human Dev)
- ✓ **To Boost Regionally Balanced Growth:** Give tax benefits to industrialists for setting up factories in North East, Naxal/Left-wing Extremism (LWE) & other backward areas. (उद्योगपतियों को उत्तर पूर्वी राज्य तथा नक्सल प्रभावित राज्यों में फैक्टरी लगाने पर करों में रियायतें देकर सभी प्रदेशों का संतुलित विकास)
- ✓ **Exchange Rate Stability (विनिमय दर स्थिरता):** Give tax benefits to exporters to boost exports; while impose higher taxes on imported items to reduce imports → Current Account Deficit (CAD: चालू खाता घाटा) controlled → ₹:\$ Exchange rate volatility controlled. (pillar3:BoP)

MCQ. "Fiscal policy" means (UPSC-Indian-Engg-Service-2018)

- a) Balancing the revenue collection and expenditure
- b) Establishing equilibrium between demand and supply of goods and services
- c) Use of taxation, public borrowing and public expenditure by Government for purposes of stabilisation or development.
- d) Deficiency as an instrument of growth



20.2 BUDGET (बजट): MEANING

Budget is an annual financial statement containing estimated revenues and expenditures for the next financial year. Budget is the primary tool used by Govt to implement its fiscal policy. (अनुमानित राजस्व और व्यय का वार्षिक वित्तीय विवरण, जिसकी मदद से सरकार राजकोषीय नीति को लागू क्रियान्वित है).

20.2.1 Three Funds related to Budget (Self-Study= Laxmikanth chapter on Parliament)

Art. 266	Consolidated Fund Of India (CFI) (संचित निधि)	Incoming taxes, loans raised, loans recovered. Withdrawal need Parliament Permission (- except for Charged Expenditure like Judges' salaries).
Art. 266	Public Account	Incoming ₹ ₹ from provident fund, small savings, postal deposit etc. Govt acts similar to a banker transferring fund



	of India (लोक लेखा) सिर्फ पहली बार बनाते वक्त सरकार ने संसद की अनुमति लेनी है. फिर हर बार इसमें से पैसा खर्च करते वक्त संसद की अनुमति नहीं लेनी है.	from here to there so parliament permission 🙌 not necessary. IF separate fund is to be created for the first time, for a specific expenditure, then needs parliament permission to “create” it e.g. Central Road Fund Act 2000, where Road Cess on Petrol, Diesel would be deposited.
Art. 267	👛 Contingency Fund of India (आकस्मिकता निधि)	⇒ Unforeseen events. Held by Finance Secretary (IAS) in Dept of Economic Affairs, on behalf of President. ⇒ Parliament approval is “subsequently” obtained, after expenditure. Money refilled from CFI. 👛 Budget-2021 reforms 1. Amount 📈 from Rs 500 crore to Rs 30,000 crore 2. 40% of this amount will be kept with Dept of Expenditure & 60% by Dept of Economic Affairs (DEA).

AB CD ? Authorization for the withdrawal of funds from the Consolidated Fund of India must come from: (Pre-2011) (a) President of India (b) Parliament (c) PM (d) The Union Finance Minister

🚩👤 FAQ: What is Cess? Ans. Finish entire Handout first.

20.2.2 🙌🙌 Donation Funds: PMNRF vs PM CARES (दान)



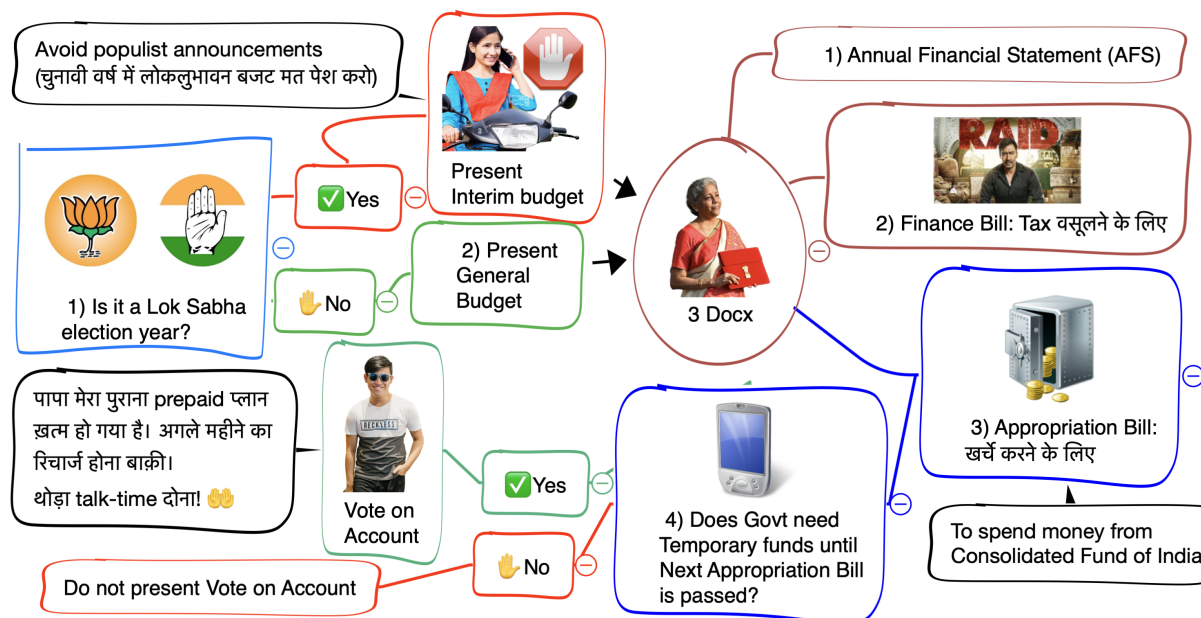
🙌 PMNRF by Nehru 1948	🙌 PM CARES Fund by Modi 2020
⇒ Prime Minister's National Relief Fund (PMNRF) राष्ट्रीय राहत कोष	Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund
⇒ Originally for helping Pak-refugees. Nowadays for floods, cyclones, earthquakes, accidents, heart/kidney transplant, cancer, acid attack, riots etc.	For dealing with any kind of emergency or distress situation, e.g. COVID-19 pandemic किसी भी किस्म की आपातकालीन परिस्थितियों से लड़ने के लिए
⇒ Not setup by Parliament. ⇒ No support given from the budget. ⇒ Only runs from donations of ordinary people and institutions & foreigners donations.	⇒ Same। इसे संसद द्वारा नहीं बनाया गया, बजट में से इसे पैसा नहीं दिया जाता, सामान्य लोगों के और विविध संस्थानों के दान से ये चलता है,
⇒ Donors get Income tax exemption. ⇒ If company donates ₹=counted in Corporate Social Responsibility (CSR, Ref#1C).	⇒ Same. दान देने पर आयकर में छूट मिलती है. यदि कंपनी दान देगी तो उसे कॉर्पोरेट सामाजिक दायित्व में गिना जाएगा
⇒ Prime Minister's Office (PMO) operates	⇒ same. प्रधानमंत्री कार्यालय संचालित करता है
⇒ PM is the ex-officio chairman. He's assisted by officers. (पदेन अध्यक्ष)	⇒ Prime Minister is the ex-officio Chairman. (पदेन अध्यक्ष) ⇒ Ex-officio Trustees (पदेन ट्रस्टी): Ministers of Defence, Home Affairs, Finance ⇒ 3 Nominated Trustees : experts from



🤖 PMNRF by Nehru 1948	🤖 PM CARES Fund by Modi 2020
	health, science, social work, law etc. PM selects them. (मनोनीत)

Notes:

- ⇒ 1962: A separate 'National Defence Fund' under PM to help military & paramilitary forces' families. Other features mostly similar to above funds. (ऊपर के टेबल में हमने पढ़े वो दो फंड के अलावा एक तीसरा राष्ट्रीय रक्षा कोष/ निधि भी है)
- ⇒ Usually, such Govt donation funds are registered under Indian Trust Act, 1882. But, some legal experts / critics suggest these donations should be brought under Public Account / Consolidated Fund to bring accountability & transparency. (पारदर्शिता और जवाबदेही की कमी)
- ⇒ 🤖 Controversy? PM CARES Fund officials refused to give information to a person under Right to information Act (RTI), so court case about applicability of RTI on this. (सरकार इस फंड का हिसाब किताब "सूचना अधिकार कानून में" देने से इंकार कर रही थी तो कोर्ट में केस चला)

**20.2.3 📁 Three Documents related to Budget (बजट के साथ प्रस्तुत तीन दस्तावेज)**

- Budget comes from a French word 'bougette' meaning a leather bag / suitcase.
- Finance Minister (FM: वित्त मंत्री) would keep documents in it → present in parliament.
- 2019: FM Nirmala Sitharaman ended this colonial practice by presenting the budget in a traditional four-fold red cloth called "Bahi-Khata". (लाल रंग के कपड़े में लपेट के पेश किया)
- While the term 'budget' not given in our constitution, but for each financial year, the Govt is required to present following: (संविधान में इस शब्द का जिक्र नहीं हालाँकि हर साल तीन दस्तावेज संसद में रखे जाते हैं।)

Art. 112	Annual Financial Statement (AFS: वार्षिक वित्तीय विवरण) containing receipt and expenditure of last year (and projections for the next year). 1) The revenue expenditure data must be shown separately from other expenditures data (e.g. capital expenditure) 🚩 FAQ: What does this mean? Ans. Finish pillar2D: to learn about capital expenditure. Presently we are at pillar#2A.
-----------------	---



	2) No compulsion to show railway budget separately from general budget. 3) No compulsion to show plan expenditure separately from non-plan.
📄 Art. 265 📄 Art. 117 🏠 Read more about them in Laxmikanth or UA Notes	Taxes can't be imposed without law so Finance Bill to obtain Parliament's permission to collect taxes. (वित्त विधेयक कराधान के लिए।) Further, Parliament can reduce or abolish a tax proposed by the Govt. but Parliament cannot increase tax beyond what Govt has proposed in the Finance bill. E.g. If Modi Govt's Finance bill proposes "we want to 📈 tax on imported shoes from 25% → 35%". Then ⇒ Members of parliament can vote to allow tax@35%/reduce/remove it. ⇒ 🙅 Members of parliament CANNOT vote "let's 📈 tax to 45%".
📄 Art. 114 🏠 Read more about them in Laxmikanth or UA Notes	🛒 Appropriation Bill (विनियोग विधेयक) to obtain Parliament's permission to spend money from Consolidated Fund of India (CFI: Art 266). Such expenditure can be of two types : 1) The expenditures ' charged ' upon the Consolidated Fund of India e.g. Judges salaries. They can be discussed but they are non-votable & automatically approved. (भारत की संचित निधि पर भारित व्यय. संसद में उसकी चर्चा हो सकती है, किन्तु मतदान नहीं। वरना यदि सांसद मतदान से, जज की तनखाह ↓ कर देंगे तो जज निष्पक्ष रूप से काम नहीं कर पाएंगे) 2) The expenditure ' made ' from CFI. E.g. ₹ ₹ for a scheme. They're discussed and voted. (भारत की संचित निधि से किये गए व्यय. संसद में इसपर चर्चा भी होगी और वोटिंग भी)

- ⇒ The finance bill and appropriation bill are considered **money bills** (धन विधेयक) under article 110. Therefore Rajya Sabha (RS) approval is not necessary. (राज्य सभा की अनुमति अनिवार्य नहीं)
- ⇒ At maximum Rajya Sabha can discuss it for 14 days and give suggestions to Lok Sabha for amendments, but it's not binding on the Lok Sabha to accept Rajya Sabha's suggestions. (धन विधेयक के मामले में राज्यसभा द्वारा दिए गए सुझाव मानना लोकसभा के लिए बाध्यकारी नहीं है)
- ⇒ Sometimes, the ruling party does not have majority in Rajya Sabha to pass other type of ordinary bills (e.g. a bill to transfer National Housing Bank (NHB)'s ownership from RBI to Govt. or abolishing some low-profile statutory body or enacting a law to make Aadhar card compulsory)...
- ⇒ Then, ruling party packs those ordinary bills' proposals inside Finance Bill to get it approved without Rajya Sabha's obstruction. (कुछ बार सामान्य विधेयक के मामले भी वित्त विधेयक में डालकर, बिना राज्य सभा की अनुमति के पास करवाने की हरकतें सत्तापक्ष द्वारा की जाती हैं, जो नैतिक नहीं)
- ⇒ In such scenarios, whether a given bill is money bill or not? = Ans: Lok Sabha Speaker's decision is final [Art.110(3)]. Speaker's decision cannot be enquired by any Court [Art.122].

AB CD ? MCQ. What will follow if a Money Bill is substantially amended by Rajya Sabha? (Pre'13)

- Lok Sabha may still proceed with the Bill, accepting or not accepting recommendations of Rajya Sabha.
- The Lok Sabha cannot consider the Bill further.
- The Lok Sabha may send the Bill to the Rajya Sabha for reconsideration.
- The President may call a joint sitting for passing the Bill.

AB CD ? MCQ. Find correct statement(s): (UPSC Pre'15)

- The Rajya Sabha has no power either to reject or to amend a Money Bill.



2. The Rajya Sabha cannot vote on the Demands for Grants.
3. The Rajya Sabha cannot discuss the Annual Financial Statement.

Codes: (a) 1 only (b) 1 and 2 only (c) 2 and 3 only (d) 1, 2 and 3

20.3 **SIX STAGES OF PASSING THE BUDGET IN PARLIAMENT (6 चरण)**

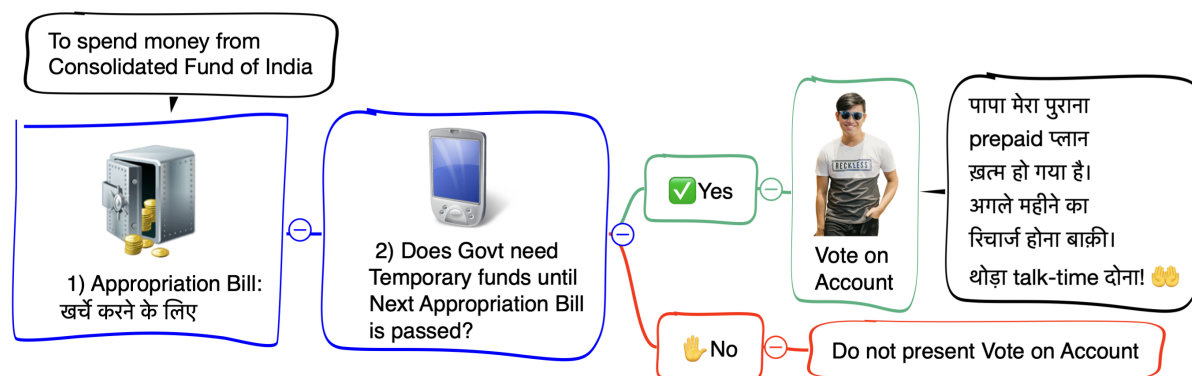
1. Presentation of budget (बजट का प्रस्तुतिकरण)
2. General Discussion (आम बहस)
3. Scrutiny by departmental committees (विभागीय समितियों द्वारा जांच)
4. Voting on demands for grants, cut motions, guillotine. (अनुदान की मांग पर मतदान)
5. Passing of Appropriation Bill (विनियोग विधेयक का पारित होना)
6. Passing of Finance Bill (वित्त विधेयक का पारित होना)

Self-Study from Indian Polity by M.Laxmikanth's chapter on Parliament or Unacademy Polity Notes/Lecture

20.3.1 Financial Year (FY: वित्तीय वर्ष)

- ⇒ 1867: British Indian Govt started financial year 1st April to 31st March to align with their home country's financial year. क्योंकि इंग्लैंड में ऐसा वित्तीय वर्ष था, इसलिए भारत में वित्तीय वर्ष ऐसा किया
- ⇒ Constitution has not specified any months for FY but we continued the British legacy.
- ⇒ 2016-17: Finmin setup **Shankar Acharya Committee**: Whether we shd change FY (like Jan-Dec or Rabi-Kharif Cropping seasons) for better estimation of tax collection and expenditure?
- ⇒ 2017: All states not in favor because accounting practices /softwares need to be changed. Its challenges outweighed the benefits. So, Modi Govt not implementing. इसको लागू नहीं कर रहे
- ⇒ 2020: some fake news that FY changed due to Corona, but it was FAKE-NEWS (झूठा समाचार)

20.4 **VOTE ON ACCOUNT- (लेखा अनुदान)**



The Constitution does not mandate any specific date for presentation of the Budget, but it is presented to the Lok Sabha on such day as the President directs.

- ⇒ **Before 2017**: Presented in the **last working day of February**. Then it'll pass through aforementioned six stages- consuming all the time upto May month.
- ⇒ But while those six stages were going on, the **financial year will be over** (on 31st March) so previous year's Appropriation Act's validity will be over.



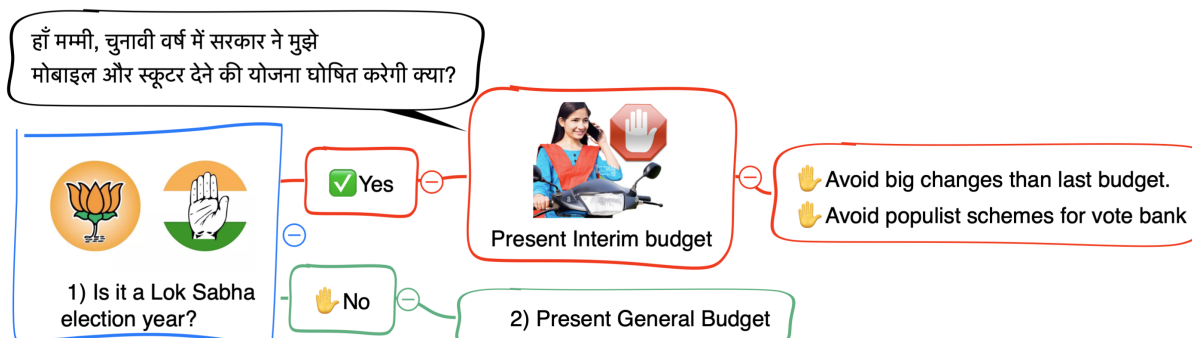
- ⇒ Then govt cannot withdraw money from the **Consolidated Fund of India** even for the routine expenditure like staff salary, electricity bills.
- ⇒ So, to avoid such crisis, government will put a motion for **vote on account**.
- ⇒ Here, parliament (= practically Lok Sabha) will allow the govt to spend some money from the CFI, **till the (next) Appropriation Act** for next financial year is passed.
- ⇒ Vote on Account is generally granted for **two months** for an amount equivalent to **one-sixth** of the total budget estimation.

👉 Vote on Account is no longer necessary because (अब इसकी जरूरत नहीं)

- ⇒ Constitution has no compulsion to put budget on a specific date. So, 2017 onwards, Modi Govt. began tabling the budget on the first working day of February.
- ⇒ All the six stages are completed by the last week of March.
- ⇒ Appropriation bill gets passed and signed by President before completion of 31st March. So they did not require vote on account in 2017, 2018.
- ⇒ (###) However, in 2019 and 2024's Interim Budget → Modi Govt demanded "vote on account" because they planned to place full-budget after general elections and perhaps they wanted to keep the 'option' open for tabling a big-sized appropriation bill after winning the election. (2019 & 2024 के अंतरिम बजट में हालांकि मोदी सरकार ने लेखानुदान की मांग की थी क्योंकि चुनाव के बाद बड़ा सामान्य बजट प्रस्तुत कर उसमें मोटी रकम का "विनियोग विधेयक" डालने का विकल्प/ऐसी खिड़की/रास्ता वे खुला रखना चाहते थे)

🚩👤 **FAQ: (###) I've 500 types of counter arguments / doubts on this (###) bullet point. Ans. Govt did not bother to give long reasoning behind their decision. Nobody filed a PIL SC. Economic survey, NITI Aayog and columnist did not bother to comment much on it. So, I did not bother to think/reflect more on it, Because it is NOT an efficient way to complete syllabus. #थोड़ा-पढ़ो-आगे-बढ़ो**

20.5 (👑🗳️👤)= 📄👤 **INTERIM BUDGET (अंतरिम बजट)**



- ⇒ Our constitution does not define or require interim budget. (अंतरिम बजट का संविधान में जिक्र नहीं है)
- ⇒ But, during election year or extreme situation (E.g. when coalition government may collapse before its term) then it's considered unethical for such Govt. to make drastic/populist changes in budget like "2gm gold for the marriage of every BPL-girl."
- ⇒ So, while they'll present a budget in the regular fashion i.e. 3 documents (AFS, FinBill, Appro.Bill) & 6 Stages of Passing. But it (should) not have grand populist announcements. (ऐसी परिस्थितिमें लोक-लुभावन की योजनाओं के साथ बजट प्रस्तुत करना नैतिक नहीं होगा, वरना विपक्षी नेता जीत नहीं पाएंगे चुनाव)
- ⇒ Such budgets are called **Interim Budgets**, and were presented in **2004** (Yashwant S.), **2009** (Pranab M.), **2014** (Chidambaram P.), **2019** (Piyush G.), **2024** (Nirmala S.)



- ⇒ Just like a Regular General Budget, an Interim budget is valid for the whole financial year, however in between if new government is formed, they may present another budget to change the provisions. (वैसे तो पूरे वर्ष के लिए वैध होता है)
- ⇒ E.g. **2014-Feb:** FM Chidambaram presented (interim) budget in 15th Lok Sabha, but then UPA/Congress defeated in general election → **2014-July:** BJP's FM Arun Jaitley presented (Full) General Budget in 16th Lok Sabha.
- ⇒ 2024 and 2019- Similar scene. In Feb=interim budget. In July- general budget after election.

👉 Note: throughout the handout, I've used the term "Full" budget to differentiate it from "Interim" Budget for easier revision & visualization. But in Mains, you should use the word 'General Budget' (सामान्य बजट)

20.5.1 🛒👤 Budget's THEME (बजट की विषयवस्तु)

Constitution doesn't require, but sometimes FM will do it to create media-hype:

Budget Year	Did FM Speech mention a specific theme (विषयवस्तु)?
2021 Paperless	- No specific theme mentioned in speech but focus on AtmaNirbhar Bharat - Started paperless/Digital Budget in a Samsung tablet made in India, covered in Red-colored cover.
2024-Feb Interim Paperless	- Due to general election, Interim budget was presented in 2024-Feb. No changes in the taxes made. Very few new schemes announced. - Separately, Finance Minister also presented a 'White Paper' comparing the UPA/Congress Govt vs 10 years of Modi govt. (श्वेतपत्र)
2024-July	General Budget. Paperless (digital).
2025	No income tax upto ₹12 lakh, 'PM Dhan-Dhaanya Krishi Yojana' (ref#4A); Our 4 engines are: Agri, MSME, Investment, Exports

AB CD MCQ. Which is not identified as one of the Engines of Development' in the Union Budget, 2025-26? (CAPF-2025) (a) Textiles (b) Agriculture (c) Investment (d) Export

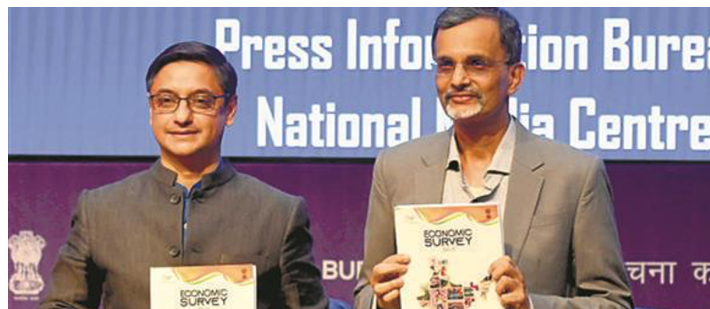
20.6 📖📖 ECONOMIC SURVEY (आर्थिक सर्वेक्षण)

- A document prepared by (usually) by the Chief Economic Adviser (CEA) in FinMin.
- 👉 No constitutional obligation to prepare or present it but usually it's tabled in the parliament a day before the Union Budget. (संविधानिक रूप से ऐसा करना अनिवार्य नहीं)
- **2019-Feb:** No economic survey was presented before the interim budget.
- **2019-July:** Economic Survey presented before the (Full) General Budget.
- **2024:** similar scene like 2019, due to General Election.
- **Note1:** While Budget is labelled after next financial year (e.g. 2019-20), the Economic survey is labelled after previous Financial Year. e.g. The survey tabled on Jan-2018 labelled as "Economic Survey 2017-18", the Survey tabled in July-2019 is labelled "Economic Survey 2018-19".
- **Note2:** For faster revision/easy visualisation, throughout my handout, I've used following labels:
 - "📖📖 ES22" means Economic Survey 2021-22 presented on 31/1/2022



- “📖📖ES21” means Economic Survey 2020-21 presented on 31/1/2021. & so forth.

Table 1: Theme / Format of Economic Survey?



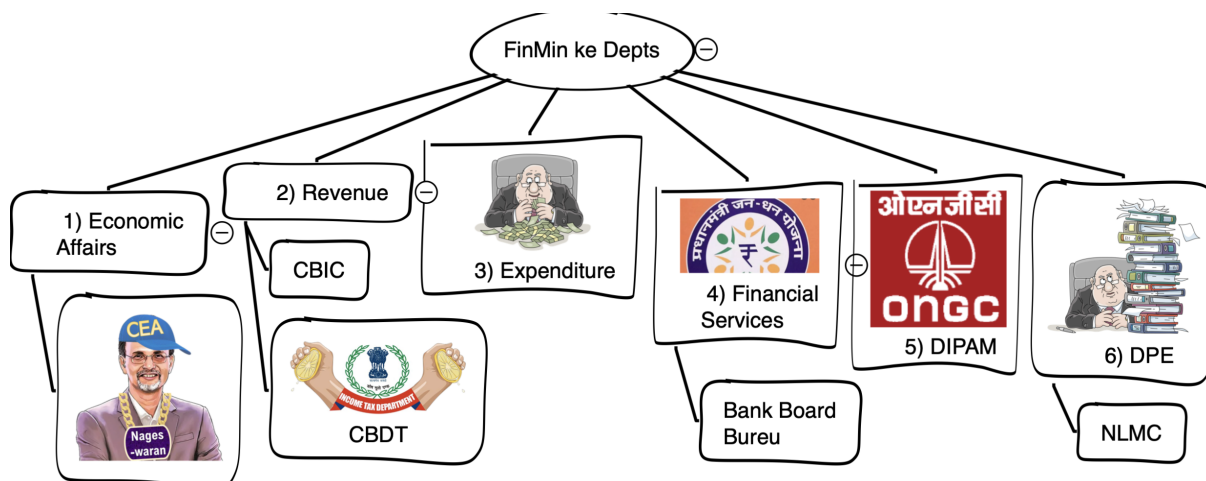
Till 2013-14	⇒ Single Volume survey. (सिर्फ एक अंक में प्रकाशित किया जाता था)
2014-15 2 volumes	⇒ Adopted Two Volume Systems like “IMF’s World Economic Outlook”. (दो-अंक) ⇒ Vol1= future suggestions Vol2= Past data. ⇒ Explicitly mentioned Theme in preface (प्राक्कथन): “Creating opportunity and reducing vulnerability” (through JanDhan-Aadhar-Mobile = JAM trinity)
2020-21 2 volumes	Paperless / Digital format.
2021-22 1 Volume	⇒ Released both in digital and paper (hardcopy) on 31/Jan/2022 ⇒ THEME in Preface: Art and science of policy-making under conditions of extreme uncertainty using “Agile” approach. (“फुर्तीली” दृष्टिकोण का उपयोग करते हुए अत्यधिक अनिश्चितता की स्थितियों में नीति-निर्माण की कला और विज्ञान) ⇒ Not published by CEA. Published by Principal Economic Adviser. (Reason is not important, but explained in video lecture so save page space in handout.) ⇒ Shifted from TWO Volumes to ONE Volume. (Reason is not important, but explained in video lecture so save page space in handout.)
2022-23 1 Volume	⇒ Released on 31/Jan/2023, by CEA. ⇒ No theme explicitly mentioned in preface.
2024	⇒ Jan/Feb: No economic survey was presented before the interim budget. ⇒ July: Survey presented one day before general budget. No theme mentioned.
2025	⇒ Released on 31/Jan/2025, by CEA. No theme explicitly mentioned in preface. ⇒ But focus areas- Global geopolitical issues will cause problem to Indian economy, Over-financialisation, AI se job-loss, Deregulation & Ease of doing biz, Energy transition from coal to clean energy, 2025’s GDP Growth will be 6.3-6.8%, etc

20.6.1 📖📖👤 Chief Economic Advisor (CEA: मुख्य आर्थिक सलाहकार)

- Works under Finance ministry’s Department of Economic Affairs
- Usual tenure 3 years, reappointment possible, but not a constitutional or statutory body. Has control over Indian Economic Service (IES) officers. (तीन साल का कार्यकाल पुनर्नियुक्ति संभव)
- Notable CEAs in Past: Manmohan Singh, Raghuram Rajan, Arvind Subramanian (2014-18).
- 2018-2021: Krishnamurthy Subramanian served as the CEA.
- 2022-Jan: **Dr V. Anantha Nageswaran** as its Chief Economic Advisor (CEA). Nageswaran MBA from IIM-A. His famous books: 1) Can India grow? 2) The Rise of Finance: Causes, Consequences and Cures. His term is till March 31, 2027.



20.7 FINANCE MINISTRY AND ITS DEPARTMENTS: (वित्त मंत्रालय और उसके विभाग)



20.7.1 Department of Economic Affairs (DEA: आर्थिक कार्य/ आर्थिक मामलो का विभाग)

Functions of DEA:

- ⇒ Fiscal policy, Preparation and presentation of Union budget including the Railway component of budget. Budget for union territories without legislature, budget for States under president rule.
- ⇒ DEA announces the Interest rates of small saving schemes. (Ref:1D, लघु बचत योजनाओं की ब्याज दर)
- ⇒ DEA maintains a website www.pppinindia.gov.in, to provide information related to Public Pvt Partnership (PPP). (Ref-Pill5: Infrastructure for more)

Organizations under/related to DEA

- 1) **Constitutional Body:** Art. 280: Finance Commission. DEA liaisons with it.
- 2) **Chief Economic Advisor (CEA)** that we learned in previous section.
- 3) **Financial Stability and Development Council (FSDC):** is neither Constitutional nor statutory body. FM is chairman. Members include the chiefs of all financial regulatory bodies- such as RBI, SEBI, IRDAI, PFRDA and the chief of IBBI (Ref: 1C)
- 4) **Govt Company:** Security Printing and Minting Corporation of India Ltd. (SPMCIL). Registered under the Companies Act responsible for printing currency notes, coins, commemorative coins, cheques, postage stamps, non-judicial stamps, passports/visa and other travel documents etc.
- 5) **Infrastructure Finance Secretariat (IFS)** for infra projects.

20.7.2 FinMin#2: Department of Expenditure (व्यय विभाग)

- ⇒ Controller General of Account (CGA: महालेखा नियंत्रक from Indian Civil Accounts Service (ICAS) service, recruited by UPSC-CSE) prepares estimate of how much money to be spent from consolidated fund of India.
- ⇒ Implements Finance Commission report, Pay Commission reports, Pension to employees (in old pension scheme Ref 1D)
- ⇒ **Org:** Arun Jaitley National Institute of Financial Management (AJNIFM), Faridabad: for training/research.
- ⇒ **Web Portals of Expenditure Department:**



- ✓ **Public Financial Management System (PFMS):** for disbursing money to various Ministries and departments at Union and State level
- ✓ **Bharatkosh- Non Tax Receipts Portal (NTRP):** For selling India yearbook Yojana Kurukshetra mags etc products and services by the government of India
- ✓ **PARAS:** portal for pension related accounts.

MCQ. Public Financial Management System (PFMS) is a web-based online software application designed, developed, owned and implemented by the (UPSC-CDS2019-II)

- A) Department of Financial Services B) Institute of Government Accounts and Finance
C) Controller General of Accounts D) National Institute of Financial Management

20.7.3 **FinMin#3: Department of Revenue (राजस्व विभाग)**

Looks after the taxation matters using bodies: <Hindi terms not given because it'll take too much printout space, but they're given in indirect tax section of this handout>

Statutory Bodies & Quasi-judicial bodies वैधानिक संस्थाएं अर्ध न्यायिक	❖ Central Boards of Revenue Act 1963 : 2 bodies → ○ Central Board of Direct Taxes (CBDT) → Dept of Income Tax ○ Central Board of Indirect Taxes and Customs (CBIC). Before-2018-March, it was known as Central Board of Excise and Customs (CBEC). It implements GST from 1st July 2017, under the 101st Constitutional Amendment Act, 2016. ❖ Authorities for Advance rulings for IT, Customs & Central Excise, GST ❖ Various Tribunals and appellate bodies related to taxation.
Attached / Subordinate##	❖ (1) Enforcement Directorate (for enforcing PMLA and FEMA Act) ❖ (2) Central Economic Intelligence Bureau ❖ (3) Central Bureau of Narcotics (4) Financial Intelligence Unit
Companies / factories	- Goods and Service Tax Network (GSTN) - Government Opium and Alkaloid Factories (GOAF)
Special functions	Opium related matters. Madhya Pradesh, Rajasthan and Uttar Pradesh have permitted cultivation of Opium for medicinal/pharma purpose. Such Opium is used for manufacturing morphine (pain relief for cancer patients and soldiers injured in war), codein (cough-syrup) and thebaine (used in industrial chemicals). [अफीम]

FAQ: What is Attached/Subordinate/Autonomous Body? Ans. Refer to lecture video.

20.7.4 **FinMin#4: Department of Financial Services (DFS: वित्तीय सेवाएँ विभाग)**

Functions of DFS:

Schemes for Financial Inclusion (Ref-1D), PSB supervision and recapitalization, Public Sector Financial Intermediaries, including their regulators (Except EPFO, ESIC etc.)

Organizations under/related to DFS:

- ❖ **Bank Board Bureau (later renamed Financial Services Institutions Bureau (FSIB):** Neither Constitutional / statutory. Setup through gazette notification for selection of top officials (MD, CEO, Chairman and full-time Directors) for PSBs, LIC and other public sector financial institutions. (Ref:1B-2)
- ❖ **Govt Company:**



- National Credit Guarantee Trustee Company (NCGTC): For providing credit guarantee for loans in Mudra, certain MSME loans, Stand up India, education-skill development related loans. (इस सरकारी योजनाओं में लाभार्थी कर्जा वापस नहीं करें तो बैंक के नुकसान की भरपाई करेगी)
- National Bank for Financing Infrastructure and Development (NABFID)
- ❖ **E-Bikray Portal:** for online-auction of attached assets by public sector banks for loan default.

20.7.5 **FinMin#5: DIPAM** (निवेश एवं लोक परिसंपत्ति प्रबंधन विभाग)

- ❖ Department of Investment and Public Asset Management (DIPAM) looks after Disinvestment / privatization of Govt Companies / Central Public Sector Enterprises (CPSE- सार्वजनिक क्षेत्र के केंद्रीय उद्यम) (Ref #2D: Disinvestment)

20.7.6 **FinMin#6: Department of Public Enterprises (DPE: सार्वजनिक उपक्रम विभाग)**

BEFORE	AFTER 2021-July Reform
Department of Public Enterprises (DPE) functioned under Ministry of Heavy Industries and Public Enterprise (पहले ये सार्वजनिक उपक्रम विभाग “भारी उद्योग तथा सार्वजनिक उपक्रम मंत्रालय” के अंतर्गत काम करता था)	- DPE shifted to Finance Ministry. (सार्वजनिक उपक्रम विभाग अब से वित्त मंत्रालय के अंतर्गत काम करेगा) - Benefit? DPE can work with more synergy / coordination with DIPAM Department. (तालमेल संकलन में बेहतर होगी)

- DPE looks after Government Companies/Central Public Sector Enterprises (CPSEs)’s administration, expenditure, financial health, survey/performance monitoring etc. (सरकारी कंपनियों के प्रबंधन, खर्च वित्तीय स्वास्थ्य, सर्वेक्षण/प्रदर्शन की निगरानी के बारे में देखता है)
- DPE gives 'Ratna' status to CPSEs’ that are making good profits. (Ref #2D: Disinvestment)
- DPE looks after CPSEs’ employees’ training, rehabilitation (Voluntary Retirement Scheme: VRS) and other personnel matters What is VRS = Explained in Pillar1B1 lecture in public sector bank merger lecture. (सरकारी कंपनियों के कर्मचारियों के तालीम, स्वैच्छिक निवृत्ति इत्यादि कार्मिक प्रशासन)
- DPE DOESNOT look after selection/recruitment of employees in CPSE. There are separate organizations for it -given in table below:

Selection/Interview of Managing Director, Chairman & other Top-Officials in _ _	Who is responsible? (इन उच्च पदाधिकारियों का चयन कौन करता है)
Public Sector Banks/NBFCs/AIFI e.g. SBI, PNB, LIC, NABARD, NHB etc (What are they? Ref: 1B1: Classification) → →	BBB was there. Then BBB replaced by FSIB (More in Pillar#1B2) (सरकारी बैंकों/सरकारी वित्तीय संस्थान में उच्च अधिकारियों के चयन के लिए अलग संस्था है)
Government companies Other than [Public Sector Bank/NBFC/AIFI] e.g. ONGC, Coal India, Hindustan Copper, Hindustan Aeronautics Limited (HAL) etc	Public Enterprises Selection Board (PESB) under the Ministry of personnel (सरकारी बैंक/ सरकारी वित्तीय संस्थान के अलावा वाली सरकारी कम्पनियों में उच्च अधिकारियों के चयन के लिए अलग संस्था PESB है)
RBI Governor, SEBI Chief etc regulators →. →. →	Separate Committee headed by Cabinet Secretary (IAS)



The highest official in each of above 6 depts is called 'Secretary' (usually an IAS)
 → senior-most among them is designated as Finance Secretary=signs ₹ 1 note.
 Finance Secretary usually heads the Dept of Economic Affairs (DEA)

20.7.7 🏠 FinMin#6: DPE → National Land Monetization Corporation (NLMC-2022)

- ⇒ 🏠 Budget-2021 announced this → 2022-March: Govt said we'll setup NLMC under Dept of Public Enterprise. This company 100% owned by Govt with paid up capital of ₹150 cr.
- ⇒ Function? Renting/selling surplus/non-core land-assets of govt depts/govt companies etc.
- ⇒ It will hire experienced professionals from private sector to ensure efficient management.
- ⇒ Related topics: PM Gati Shakti, National Monetization Pipeline, National Infra Pipeline: (REF: in

📄 Pillar#5: PPP / public private partnership)

(सरकारी कंपनियों की अतिरिक्त ज़मीन / इमारत / संपत्तियों को निजी क्षेत्र के उद्योगपतियों को किराये पे देना/बेच देना- इन सबके लिए एक "राष्ट्रीय भू-मौद्रिकरण निगम" की स्थापना।)



20.8 🏠 INDIAN AUDIT AND ACCOUNTS DEPARTMENT

- ❖ As per Press Release FinMin = 6 departments that we learned above.
- ❖ This (lesser known) dept is headed by Constitutional Body: Comptroller and Auditor General (CAG: भारत के नियंत्रक-महालेखापरीक्षक इस के मुखिया होते हैं. इस विभाग को वित्त मंत्रालय का हिस्सा नहीं माना जाता)

20.8.1 🏠 IAAD-OIOS by CAG (विभिन्न मंत्रालयों की लेखा परीक्षण के लिए डिजिटल पोर्टल)

- One Indian Audit & Accounts Department (IAAD) One System (OIOS)
- Made by CAG- for paperless administration.

📄 ? MCQ. Find correct Statement(s): (MCQ-Prelims-2015)

1. The Dept of Revenue is responsible for the preparation of Union Budget.
 2. No amount can be withdrawn from the Consolidated Fund of India without authorization from Parliament of India.
 3. All the disbursements made from Public Account also need the authorization from Parliament
- Codes: (a) 1 and 2 only (b) 2 and 3 only (c) 2 only (d) 1, 2 and 3



AB CD ? MCQ. Which is responsible for prep. & presentation of Budget to the Parliament? (Pre'10)

- (a) Department of Revenue (b) Department of Economic Affairs
(c) Department of Financial Services (d) Department of Expenditure

AB CD ? MCQ. Fiscal Policy in India is formulated by: (MCQ-CDS-2012)

- (a) the Reserve Bank of India (b) the Planning Commission (c) the Finance Ministry (d) SEBI

20.9 BUDGET → REVENUE PART → RECEIPTS → TAX RECEIPTS

बजट → राजस्व भाग → प्राप्तियां → कर प्राप्तियां

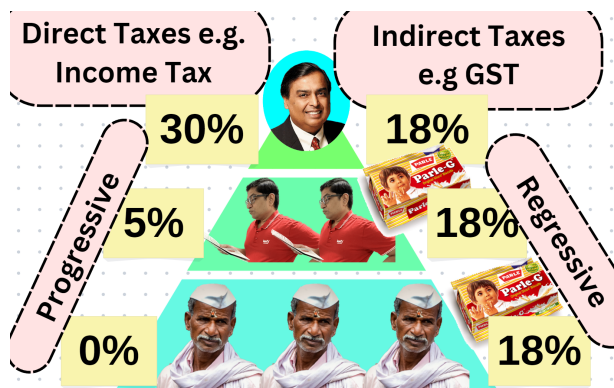
20.9.1 Types of taxes: direct / indirect: प्रत्यक्ष कर/ अप्रत्यक्ष कर



Parameter	Direct Tax (e.g. 5% Tax on income)	Indirect Tax (e.g. 18% GST on purchase of Biscuit)
Impact of Tax: Point from where government collects the tax. Person who deposits the tax to govt. / Person who bears the initial burden	Income Tax Assessee (प्रत्यक्ष करदाता खुद)	Shopkeeper/seller (विक्रेता)
Incidence of Tax: point where the burden of tax is ultimately felt and can't be transferred elsewhere. Incidence of a tax rests on the person(s) whose real net income is reduced by the tax.	Income Tax Assessee (प्रत्यक्ष करदाता खुद)	Customer/buyer (ग्राहक)
The incidence and impact of tax is....	On the same person	Not on the same person.

Note: Above table's deeper interpretation also involves how 'burden' is shifted from seller to buyer, But we'll not waste time learning its Microeconomics GRAPH/PHD. #थोड़ा-पढ़ो-आगे-बढ़ो

20.9.2 Types of taxes: Progressive vs Regressive





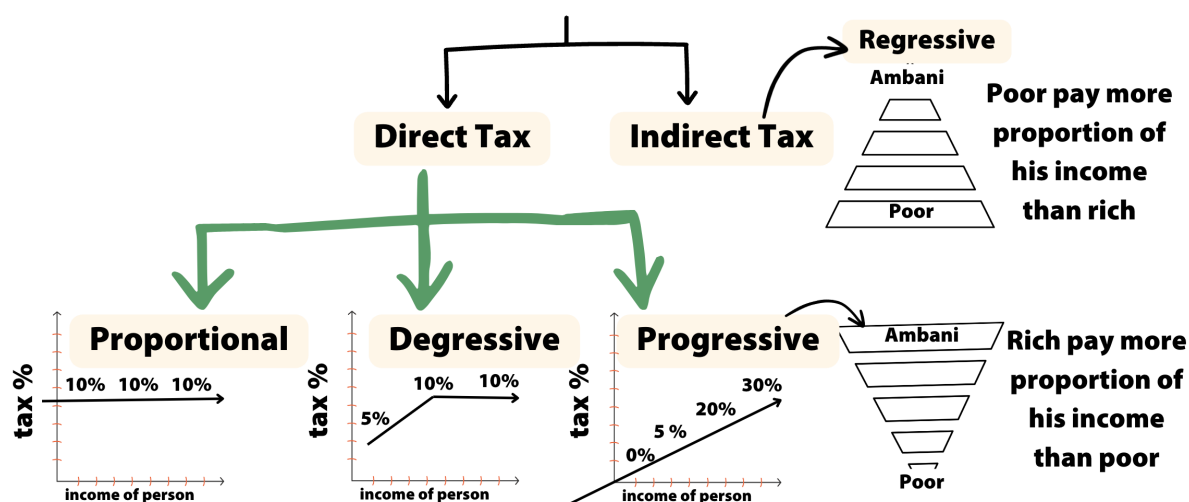
Progressive (प्रगामी: अमीर पे ज्यादा गरीब पे कम)	Regressive (प्रतिगामी)
5%-20%-30% income tax slabs depending on your income. - Thus, richer the person, bigger proportion of his income will go into taxes. Thus, direct taxes are progressive in nature.	18% GST on Biscuits worth ₹100 = ₹18 paid as (indirect) tax. - When Mukesh Ambani buys one packet, and a poor man buys one packet, greater proportion of poorman's income is gone in taxes. Thus, indirect taxes are regressive in nature. (गरीब आदमी की वेतन का ज्यादा हिस्सा जाता है)

MCQ. Which one of following is a progressive tax structure? [UPSC-CDS-2015-II]

- (a) Tax rate is the same across all incomes (b) Tax rate increases as income increases
(c) Tax rate decreases as income increases (d) Each household pays equal amount of tax

20.9.3 Types of Direct Taxes: proportional / degressive

Direct Tax	Example
Progressive	learned in previous section.
Proportional समानुपाती	If Govt. had a single 10% flat rate direct tax on income irrespective of whether you're a poor, middle class, upper middle class or a rich person. Then each taxpayers' same proportion of income(10%) will go into taxes.
Degressive tax:	- It is a blend of progressive tax and proportional tax. If a direct tax increases upto a point & after that limit, a uniform rate is charged (5-5-10-10-...10). So, its partly proportional because tax rate remains unchanged even if income increases. (👉 but further PHD not req on this term.) - If MCQ asks then Ans= income tax is PROGRESSIVE TAX.



20.9.4 Adam Smith's 4 canons of taxation (कराधान के चार सिद्धांत)

1. Canon of **Equality** (समानता का सिद्धांत): Tax should be equal /proportionate to income. Rich people should pay more taxes than poors.



2. Canon of **Certainty** (निश्चितता का सिद्धांत): dates, slabs, % should be definite & told in advance.
Randomly govt should not demand “x%” tax to build statue, temple or mosque.
3. Canon of **Convenience** (सुविधा का सिद्धांत): tax payer shouldn't be made wait for a kilometre long queue & fillup 50 pages worth tax forms.
4. Canon of **Economy** (मितव्ययता का सिद्धांत): to collect ₹ 100 crore tax, govt shouldn't be spending ₹ 99 crores in salaries of tax officials.

AB CD ? MCQ. Which of the following was not advocated by Adam Smith? (UPSC-CDS-2019-1)

- a) Canon of equality b) Canon of certainty c) Canon of convenience d) Canon of fiscal adequacy

AB CD ? MCQ. Find Correct Statements (UPSC-CDS-2016-1)

1. Ability to pay principle of taxation holds that taxes people pay should relate to their income or wealth
2. The Benefit Principle of taxation states that individuals should be taxed in proportion to the benefit they receive from Government programmes
3. A progressive tax takes a larger share of tax from poor families than it does from rich families
4. Indirect taxes have the advantage of being cheaper and easier to collect

Answer Codes: (a) 1 and 3 only (b) 2 and 4 only (c) 1, 2 and 4 only (d) 1, 2, 3 and 4

21 🍊👩‍🦱 DIRECT TAXES: TYPES (प्रत्यक्ष करों के प्रकार)

Direct Taxes	👤 of Union Govt. * Means Abolished	👤🙏 Of State Govt.
👛 On income (आय पर)	- Corporation Tax, Minimum Alternate Tax (MAT) - Income Tax on income except agri. - Capital Gains Tax (CGT) - ❌ *Dividend Distribution Tax (DDT)	1. Agriculture Income tax 2. Professional Tax (Constitutional ceiling of max ₹2500 per year)
🏠 On assets, transactions (संपत्ति, लेनदेन पर)	- Securities Transaction Tax (STT) & Commodities Transaction Tax (CTT) - ❌ *Wealth Tax (संपत्ति कर) - ❌ *Banking Cash Transaction Tax - ❌ *Estate Duty	1. Land Revenue (भू राजस्व) 2. Stamp/Registration duty 3. Property tax in urban areas (शहरी क्षेत्रों में संपत्ति कर)
🛒 On expenditure (खर्च पर)	- ❌ *Hotel Receipt Tax, *Gift Tax - ❌ *Fringe Benefit Tax i.e. When the employer give benefits to employee apart from salary e.g. subscription to gymkhana or golf-club.	#Road Tax (although debatable as in some States/categories of vehicles- the seller will collect & submit)

👉👤 FAQ: How much money collected from these taxes? Ans. REF: Pillar2A2: GST Handout



21.1.1 🍌🍌 Estate Duty, Wealth-tax, Inheritance Tax (Abolished)

	Estate Duty /inheritance tax/death tax	Wealth-tax	Gift Tax
What?	From 1953 onwards: when property owner dies, his legal heirs pay this tax. Rates: 5%-40% depending on value of property/estate	when owner is alive, he has to pay this tax. Rate: 1% wealth tax on assets of Rs 30 lakh and above	From 1958: Gift tax whenever person received gift valued more than Rs."X".
Abolished when?	Budget-1985 (FM VP Singh)	Budget-2015 (FM Arun Jaitley)	Budget-1998 (FM-Yashwant Sinha)

Reason for abolishing these taxes?

- The revenue collection was very low, and the administrative cost of collection was very high.
- Scope of evasion by undervaluation of property.

21.1.2 🍌🍌 should we re-introduce inheritance tax / wealth tax / estate duty?

refer to Mains Handout Pillar2.

21.1.3 🍌🍌♀ Paper Taxes = wealth tax, gift tax and estate duty says NCERT.

Govt never earned large amount of money from wealth tax, gift tax and estate duty. So these taxes were informally called as 'paper taxes' - says NCERT. (सरकार को कभी भी संपत्तिकर, भेंट कर, और एस्टेट ड्यूटी में से बहुत ज्यादा माला में आमदनी नहीं हुई इसलिए इनको "कागजी कर" कहा जाता था.)

AB CD ? MCQ. Corporation tax is imposed by ___ [UPSC-CDS-2013-II]

(a) State Government (b) Central Govt (c) Local Government (d) State as well as Central Govt

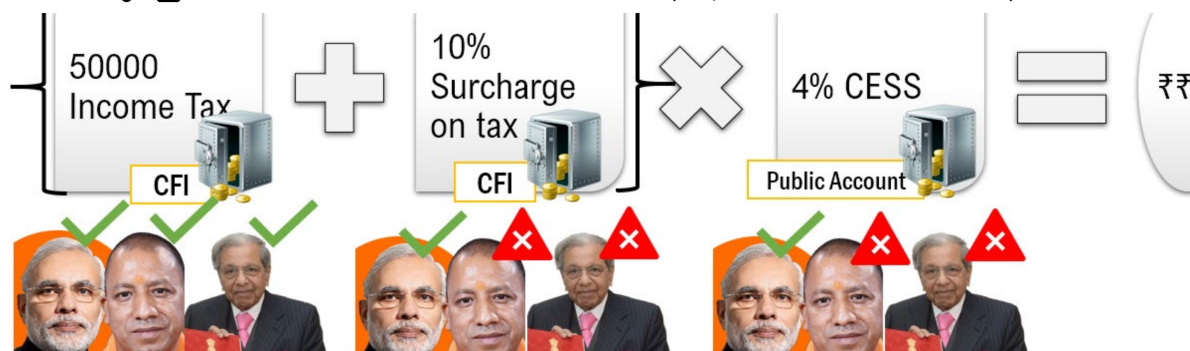
21.2 🍌🍌♀ DIRECT TAXES: MERITS AND DEMERITS (प्रत्यक्ष करों के लाभ व नुकसान)

😊 Merits of Direct Taxes	😞 Demerits (नुकसान)
1. Progressive (प्रगामी: richer the person higher the tax): income inequality ↓ 2. Promotes civic consciousness (नागरिक चेतना) since citizen directly feels the 'pinch of tax' (चुभन महसूस करना). 3. To ↑ savings & investment: Income tax deduction/exemptions on NPS/ LIC etc. 4. Elasticity (लचीलापन): As public's income level ↑ then tax revenue ↑ 5. Certainty (when and how to pay IT, निश्चितता) 6. Can ↓ volatility in International currency exchange rates by imposing Tobin Tax (📄 More in Pillar#3) (मुद्रा विनिमय दर की अस्थिरता को	1. Externality (बाह्यता) not counted: Academic Books Author vs Film star promoting cigars [30% Income Tax on both]. 2. Hardship not counted: Working Carpenter [5%] vs sleeping landlord [5%] (कठिन परिश्रम के लिए कोई रियायत नहीं) 3. High level of direct tax= laziness, less foreign investment. (उची दरे लोगों को आलसी बनाती है) 4. Narrow base: poor people not covered. If we try then very large staff will required to supervise over poor people. (संकीर्ण आधार) 5. Prone to litigation & loopholes, tax evasion, avoidance. (📄 More in #2B: Blackmoney) (मुकदमेबाजी, कर-चोरी, कर-परिहार)



😊 Merits of Direct Taxes	😓 Demerits (नुकसान)
कम किया जा सकता है)	

21.3 🍌👩‍🦱 UNION TAX, CESS AND SURCHARGE (केंद्रीय कर, उपकर और अधिभार)



Any Union Tax (संघ कर)	- Computed on taxable income, profit, transaction. Goes to Consolidated Fund of India → Later divided between Union and states as per the Finance Commission formula. (IGST's distribution matter slightly different. Refer to Pillar2B:GST.)
Surcharge (अधिभार)	- Computed on Tax amount. So, it is a 'tax on tax'. This ₹ will also goto CFI. - Surcharge is not shared with States using Finance Commission Formula. - Usually, surcharge doesn't have any clear objective in 'prefix', so it may be used for any purpose. Exception is 10% Social Welfare Surcharge (समाज कल्याण अधिभार) on the customs duty on imported goods. → ₹ specifically used for social welfare schemes of the Union. (सामान्य रूप से इन पैसों का उपयोग किस खास काम में होता है उसे स्पष्ट बताया नहीं जाता)
Cess (उपकर)	- Computed on [(Tax) + (Surcharge, if any)] - Clear objective is mentioned. E.g. Road & infrastructure cess, Health & Education, GST compensation cess etc. - By default, cess goes to CFI → from there, cess goes to Public Accounts. Sometimes there may be separate fund inside public account for it, e.g. Central Road Safety Fund, Prarambhik Shiksha Kosh etc. - Finance Commission can't prescribe formula to share cess with States. (Although some of the cess money will invisibly goto states as a part of scheme implementation e.g. Pradhan Mantri Fasal Bima Premium share, etc. but that depends on discretion of Union) (इस रकम को वित्त आयोग राज्यों के साथ नहीं बाँट सकता. केंद्र सरकार अपने विवेक से अलग अलग योजनाओं में शायद इस उपकर का कुछ पैसा राज्यों को दे सकती है) - GST Compensation Cess matter is little different. <explained in the GST segment of next handout>

21.3.1 🍌👩‍🦱🚩👶 Cess pe FAQ & PHD

🚩👶 FAQ: Why does Govt levy cess/surcharge, why is Finance Commission Kept out of it?

Ans. So Ruling party@Union can use money for their favourite schemes without having to share the money it with State Govt. (ताकि केंद्र का सत्ता पक्ष अपनी मर्जी से उस पैसे को इस्तेमाल कर सके। बिना राज्यों को हिस्सा दिए)

🚩👶 FAQ: IS it compulsory that every tax MUST have Cess and Surcharge on it?



Not compulsory. Depends on Govt's mood / discretion. (सरकार की मर्ज़ी पर निर्भर)

🚩👤 FAQ: Is Cess applicable only on direct taxes OR on indirect taxes?

Some of them applicable on direct taxes. Some of them applicable on indirect taxes.

Cess examples →	Applicable on
Health & Education Cess →	Levied on Direct Taxes such as Income Tax, Corporation Tax
Health Cess →	Levied on Customs Duty on Imported Medical Devices
Agriculture Infrastructure and Development Cess	Levied on Customs Duty on some products Levied on Excise Duty on some products
Road & Infrastructure Cess	Levied on Excise Duty on Petrol, Diesel
GST Compensation Cess	Levied on GST on some products e.g. Vimal Gutkha, cars etc.
Solid Waste Management (SWM) Cess	Urban Local Bodies (ULBs) levy user fees or SWM cess as per the provisions of Solid Waste Management Rules, 2016 by Environment Ministry. Rate: usually ₹30-50 per month.

🚩👤 FAQ: Is "Health Cess" and "Health & Education Cess" same or different?

Ans. Different. Observe table given above.

🚩👤 FAQ: I've 500 other doubts. Ans. Not important for UPSC exam. #🕒 थोड़ा-पढ़ो-आगे-बढ़ो

21.3.2 🍋👤🏠 Direct Tax → Cess: 🍋 Pradhan Mantri Swasthya Suraksha Nidhi (PMSSN)

प्रत्यक्ष करों पर लगाए गए उपकर का पैसा इस फंड में डालेंगे और विविध स्वास्थ्य योजनाएं चलाएंगे

⇒ Govt levies 4% Health & Education Cess on direct taxes such as income tax & corporation tax. (प्रत्यक्ष करों पर स्वास्थ्य व शिक्षा उपकर)

⇒ 2021-March: govt created a new "Non-Lapsable" fund under Public Account. (What is "Non-Lapsable fund? Ref: Pillar#2D). लोक लेखा में एक गैर-व्यपगत निधि बनायी जाएगी

⇒ This fund will receive ₹ ₹ from above cess.

⇒ Health ministry will use this money for (More in 📄 Pillar#6)

- 1) Ayushman Bharat & its sub schemes like PM-JAY (5L-Health insurance),
- 2) Pradhan Mantri Swasthya Suraksha Yojana (setting up AIIMS-like institutions in every state & upgrading government medical colleges).
- 3) National Health Mission (NHM) राष्ट्रीय स्वास्थ्य मिशन
- 4) Health emergencies like Corona स्वास्थ्य आपदाएँ

21.3.3 Laffer Curve, Tax elasticity, Tax Buoyancy etc

Refer to 📄 2B: black money handout.

21.4 🍋👤🏠 DIRECT TAX → CORPORATION TAX (निगम कर)



Figure 1: निचोड़ निचोड़ के कर/देख लेंगे, किसी को नहीं बख्शेंगे!

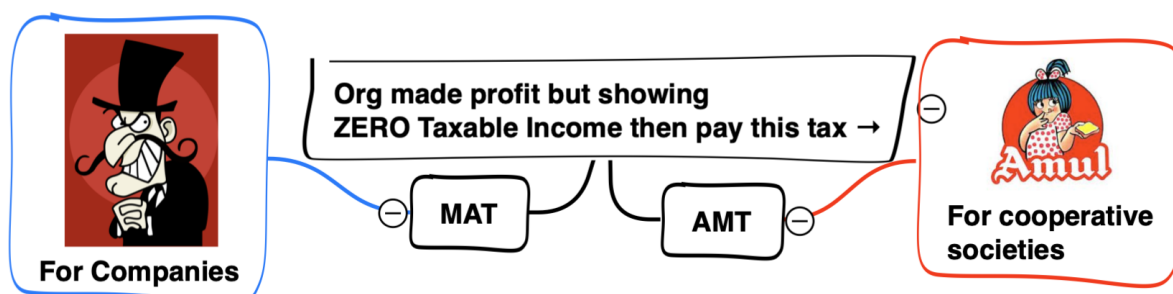
⇒ Also known as "Corporate Income Tax (CIT: निगमो पे लगने वाला आयकर)"



⇒ It's levied on Company's profit, under the Income-tax Act, 1961. (Technically called "NET Income" but we're not here for CA-exam's pedantry.)

Sr	Type of Company	Corporation Tax on profit
Sr1	🌱 New INDIAN MFG company registered from 1/10/2019 onwards.	15 % +10% surcharge on (tax) +4% health edu cess (on tax + surcharge)= 17.01%
Sr2	🌳 other Indian companies not mentioned in Sr.1	22% +10% surcharge on (tax) +4% health edu cess (on tax + surcharge)= 25.17%
Sr3	🐼 Foreign Company's profit from India	Budget-2024-July: ↓ from 40% → 35%.
Sr4	🐷 Zero Profit companies	15% MAT (see next section)

21.5 🍌👩🏠💰🐷 MINIMUM ALTERNATE TAX (MAT) & AMT (न्यूनतम वैकल्पिक कर)



- Some industrialists make profit but use tax-deduction, exemptions, depreciations and accounting tricks to show ₹0 taxable income to escape paying Corporation Tax. So,
- Budget-1996 (Chidambaram) introduced 18.5% MAT on **book profit** of such 'ZERO TAX Companies', using a different type of formula. (What was the formula, not important).
- Modi govt ↓ reduced MAT from 18.5% → 15%
- Alternative Minimum Tax (AMT: 15%) is a similar type of tax on Cooperative societies e.g. Amul, IFFCO. (we will not waste more time on it. Beyond this 1 line GK.)

🔴👤 **FAQ: if it is showing zero taxable income, then how can we complete the tax on it?**

Ans. Explained in the video lecture. Beyond that you may feel free to do PhD & Chartered accountant-giri from <https://www.incometaxindia.gov.in/tutorials/10.mat-and-amt.pdf>

21.5.1 🍌👩🏠💰🌱 Corporation Tax on Startups



Figure 2: "अभी अभी घंघा शुरू किया है, थोड़ा बख्खा दो, मालिक!" IT Dept: "ठीक है, सिर्फ थोड़े वर्षों के लिए ही!"

Startup is a company not older than 10 years and not having turnover more than 100 cr. & is doing innovation in goods/services. Govt helps them through Startup India Scheme (📄 more in Pillar4B).

- ✓ Startup can claim 100% deduction (=Tax Holiday) on its profits, for 3 years out of the first 10 years of registration incorporation. (Tax Holiday = no need to pay tax.)



21.5.2 🍌👉👤 Angel Tax on Startup Investments (2012, DELETED by 🗑️ Budget-2024:)



21.6 🍌👉👤: EQUALISATION LEVY / GOOGLE TAX (समकारी लेवी/ गूगल टैक्स) ABOLISHED



What does above chart mean? Ans. Explained in Video Lecture.

🗑️ **Budget-2024-July has abolished this tax. I'm also deleting its PYQ from HDT.**

21.6.1 Related terms / Faaltu-ke-Doubts

- What is Global Minimum Tax, DTAA, GAAR, PoEM etc? Ans. 🗑️ **Pillar#2B: Black Money.**
- 'Global Minimum Tax' regime : (More in 🗑️ **Pillar#2B: Black Money**)
- **Significant Economic Presence (SEP)**: उल्लेखनीय आर्थिक उपस्थिति): Concepts basically means if a foreign company is making money from Indians through digital ads / streaming services (e.g. NETFLIX videos from overseas servers) then the company has 'SEP' in India, therefore, Indian govt has powers to tax it.
- OECD used a phrase '**Tax challenges of digitization**' to denote above problems where digital services type Multinational Corporation (MNC) avoiding taxes. (बहुराष्ट्रीय निगमों द्वारा कर को टालना)



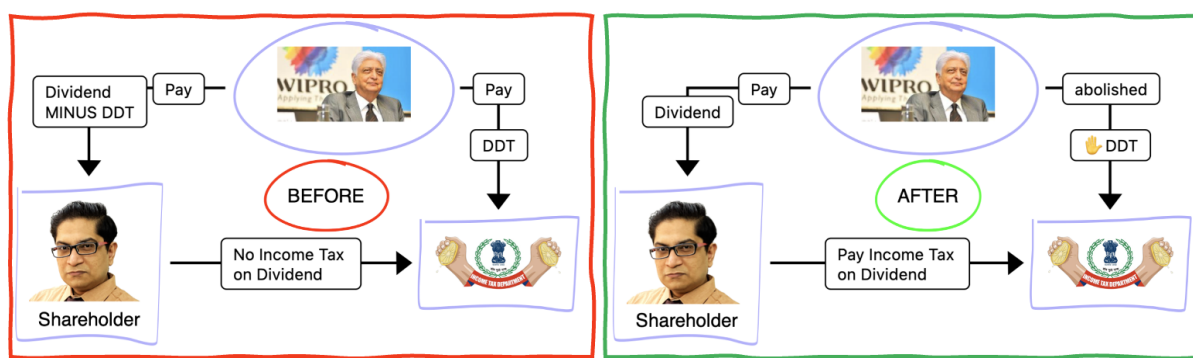
- France has implemented tax on large technology companies called **GAFATax** (Google Apple Facebook Amazon) from 1st Jan 2019. Other nations also doing similar.
- 🚩👤 FAQ: What is the **difference between tax, duty, levy**? = if you get selected in IRS (Indian revenue service) they'll teach you in training. 🎓👋 Not-imp here. #थोड़ा-पढ़ो-आगे-बढ़ो.

21.7 🍋👤🏠💰 **DIVIDEND DISTRIBUTION TAX (DDT: लाभांश वितरण कर)**

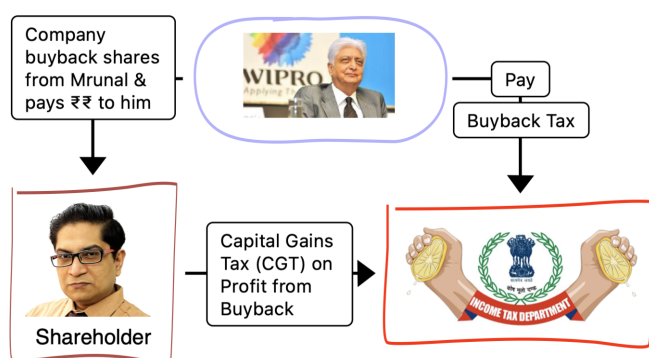
- 1997: FM Chidambaram started to levy DDT on a shareholder's dividend income.
- Shareholder did not have to pay separate Income tax on such dividend
- DDT Rate: 15% + cess + surcharge = 20.56% on dividend paid.
- 📅 **Budget-2020: abolished DDT.** But, dividend will be taxable in the hands of shareholder (i.e.

he'll pay income tax on it). 🏆 **Benefits?**

- ✓ Previously even lower middle-class shareholder's ~ 20% dividend was cut in the name of DDT. But now he may have to pay barely 0-5% income tax on income from dividend.
- ✓ Thus, Shareholders get to keep more ₹ for spending → shopping spree → demand, production, economic growth. (मध्यम वर्ग की जेब पर कर-बोझ कम होगा.)

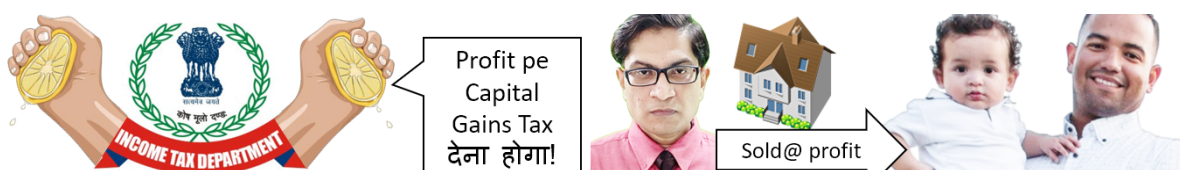


21.8 🍋👤🏠🛒 **BUYBACK TAX (शेयर की वापसी-खरीद पर कर)**



👤 What does above chart mean? Ans. Explained in the video lecture. 🏠

21.9 🍋👤🏠💰🏠 **CAPITAL GAINS TAX (CGT: पूंजीगत लाभ कर)**





- When an owner makes profit by selling his capital assets such as non-agro-land, property, jewellery, paintings, vehicles, machinery, patents, trademarks, shares, bonds & other securities- then he has to pay CAPITAL GAINS TAX (CGT).
- Depending on how long did the owner keep that asset before selling it, he will pay:
 - EITHER Long Term Capital Gains tax (LCGT: x% दीर्घावधि) OR
 - OR Short Term Capital Gains tax (SCGT: y% अल्पावधि)

capital gain tax	Short-term (SCGT) लघु अवधि	Long term (LCGT) दीर्घ अवधि
Shares, Mutual funds etc financial assets	if sold during the first 12 month of ownership	after 12 months
Other assets e.g. home, building	if sold during the first 24 months of ownership	sold after 24 months

- Depending on the time of sale, you have to pay either long-term or short-term. You don't have to pay both of them. (कोई एक ही टैक्स लगाता है- शोर्ट टर्म या लॉग टर्म। दोनों टैक्स इक-साथ नहीं लगते।)
- Note: above time(year) and tax% are different for different types of assets.
- 🛒 Budget-2022: Bitcoin, NFT and other virtual digital assets (VDA): profit pe 30% CGT.
Trade/Transfer pe 1% TDS (Refer to 📄 Pillar1: 1A1 about cryptocurrency theory)
- 🛒 Budget-2023: nothing exam-worthy. | **Interim Budget-2024:** No changes made.
- 🛒 Budget-2024-July: made changes. refer to next section.

📄 MCQ: In which of the following circumstances may 'capital gains' arise? (Prelims-2012)

1. When there is an increase in the sales of a product.
2. When there is a natural increase in the value of the property owned.
3. When you purchase a painting & there is a growth in its value due to increase in its popularity.

Answer Codes: (a) 1 only (b) 2 and 3 only (c) 2 only (d) 1, 2 and 3

📄 MCQ. St-I: In India, income from allied agricultural activities. like poultry fanning and wool rearing in rural areas is exempted from any tax.

St-II: In India, rural agricultural land is not considered a capital asset under the provisions of the Income-tax Act, 1961.

(a) Both St-I and St-II are correct and St-II explains St-I

(b) Both St-I and St-II are correct but St-II does not explain St-I

(c) St-I is correct but St-II is not correct (d) St-I is not correct but St-II is correct

21.9.1 🍌 CGT ↑ on Sharemarket profit in 🛒 Budget-2024-July

Type of Capital Gains मुनाफ़े पर पूंजीगत लाभ कर	Current Rate	New Tax Rate
Short-Term Capital Gains (if share sold within 12 months of ownership)	15%	20%
Long-Term Capital Gains (if share sold after 12 months of ownership)	10%	12.50%

- The govt is justified in increasing taxes for following reasons:



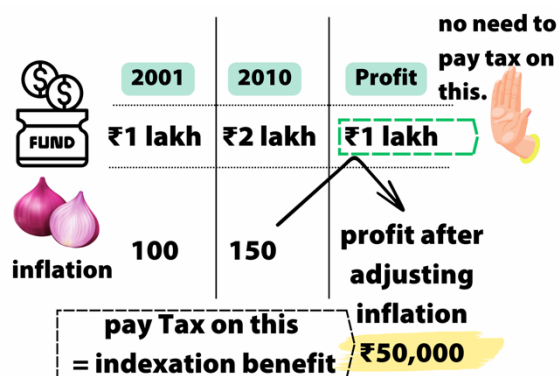
- The sharemarket is going up. Investor making huge profits. Government would want to collect more taxes for welfare schemes. (जब निवेशक बढ़ते हुए शेयर बाज़ार में बड़ा मुनाफ़ा कमा रहे हैं तो सरकार भी उन पर टैक्स लगाकर कल्याणकारी योजना चलाना चाहेगी)
- helps prevent over-financialization of the economy- refer 1C2. (अति-वित्तीयकरण रोकना है।)
- Short-term capital gains tax is now 1/5 of the profit (=20%). This will automatically encourage the investors to hold the stock for longer period (12.5% tax) before selling, thereby reducing the volatility and speculation in the market. (निवेशकों को जल्दबाज़ी में शेयर बेचने से रोकना है ताकि बाज़ार में अस्थिरता/ सट्टेबाजी कम हो।)

21.9.2 🍌 CGT → Indexation benefit / cost inflation index (CII) benefit (सूची करण लाभ)

- Indexation benefit = adjusting the profit as per changes inflation. So that person has to pay less amount of Long term Capital Gains tax. (This is not available in short-term capital gains tax)

Indexation benefits on capital gain tax?	BEFORE	AFTER
profits made from Debt mutual funds (they invest the clients money in Company bonds/ G-sec/debt instruments.)	Yes given	Stopped from 1/Apr/23.
Normal shares / bonds	NO	NO
Sovereign gold bonds (Ref#1C)	Yes	Yes
Bitcoin/cryptocurrency profit	NO	NO
real estate (building/property)	Yes	some changes in 2024.

🧑‍🎓 FAQ: is Indexation benefit given in XYZ other instrument? Ans. I don't know. We are not here for Chartered Accountant exam.



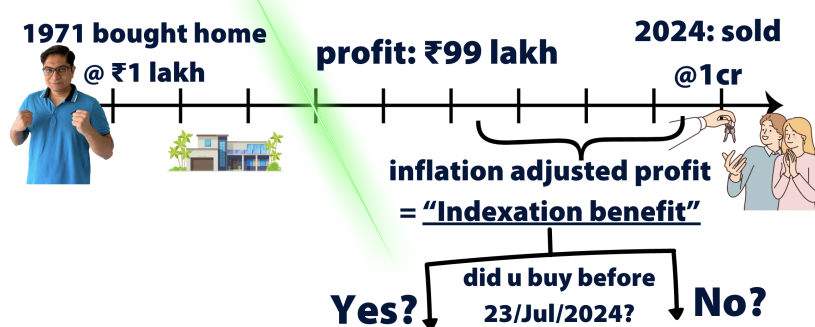
21.9.3 🍌 Indexation benefit in property CGT after 🗑 Budget-2024-July

- If home/property sold after 24 months of ownership then its profit is subjected to Long term capital gains tax (LCGT)
- Government allows the person to adjust this profit against the impact of inflation.
- This is called “indexation benefit”, as it reduces tax-liability of the seller. (किसी मकान को 24 महीने की मालिकी के बाद भेजा जाए तो उसके मुनाफ़े पे लगता है दीर्घ अवधि पूंजीगत लाभ कर हालाँकि इस मुनाफ़े को महँगाई के हिसाब से सूचीकरण लाभ दिया जाता है।)
- 🗑 Budget-2024-July made following changes to it:

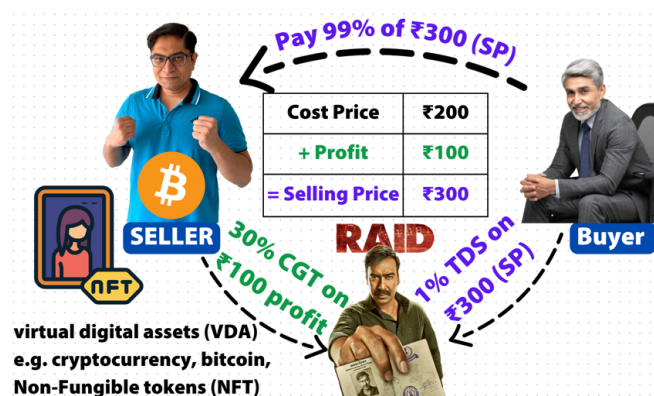


Choices	Choice-1 (no indexation benefit)	Choice-2**
Tax on profit	12.5%	20%
Inflation adjust / indexation benefit?	inflation benefit NOT given.	Yes inflation benefit given.
if property purchased before 23/Jul/2024	Choice#1 Available	Choice#2 also Available
if property purchased on 23/Jul/2024 or AFTER	Choice#1 Available	Choice#2 NOT Available

- July-2024: budget originally did not include choice-2. i.e. Budget'24 had removed the indexation benefits on property. (शुरू में तो सरकार ने संपूर्ण रूप से सूचीकरण लाभ को खत्म कर दिया था)
- Aug-2024: After the backlash from builders & property owners, the government gave choice#2 in above table. i.e. restored indexation benefit for properties bought before the cut-off date of 23/Jul/24. (हालाँकि मकान मालिकों के विरोध के बाद सरकार ने इंडेक्सेशन बेनिफिट/ सूचीकरण लाभ को पुनः स्थापित किया, यदि आपने मकान/मिलकत एक निश्चित कटऑफ तारीख से पहले खरीदी थी।)



21.9.4 🗝️🔒🍊: Bitcoin Profit pe 30% Tax and transfer pe 1% TDS in 🛒👤 Budget-2022



21.10 🍊👤👤 INCOME TAX ON INDIVIDUALS (व्यक्तिक आयकर)

James Wilson (financial member of the Council of India, founder of the Economist magazine and Standard Chartered Bank) introduced income tax in India on 24 July 1860 to compensate the British losses during 1857's Sepoy mutiny. So, 24th July is celebrated as **Income Tax Day** (Aaykar Diwas).

21.10.1 Old Tax Regime (OTR) vs New Tax Regime (NTR)

You can use any ONE of the given system OTR or NTR. NTR was started from 2020.

**OLD TAX Regime**

Income Range	Tax rate
Up to 2.5 lakhs	0
2.5 to 5 lakhs	5
5 to 10 lakhs	20
Above 10 lakhs	30

**ismein bhi senior citizens
have different slabs.**

**Tax Rebate if
earning upto**

**₹5
lakh**

→ ₹7 lakh

→ ₹12 lakh

NEW TAX REGIME

Total income	2024	Rate	Total income	2025	Rate
Upto ₹ 3,00,000	Nil	Nil	Upto ₹ 4,00,000	Nil	Nil
From ₹ 3,00,001 to ₹ 7,00,000	5 p	5 p	From ₹ 4,00,001 to ₹ 8,00,000	5 p	5 p
From ₹ 7,00,001 to ₹ 10,00,000	10	10	From ₹ 8,00,001 to ₹ 12,00,000	10	10
From ₹ 10,00,001 to ₹ 12,00,000	15	15	From ₹ 12,00,001 to ₹ 16,00,000	15	15
From ₹ 12,00,001 to ₹ 15,00,000	20	20	From ₹ 16,00,001 to ₹ 20,00,000	20	20
Above ₹ 15,00,000	30	30	From ₹ 20,00,001 to ₹ 24,00,000	25	25
			Above ₹ 24,00,000	30	30

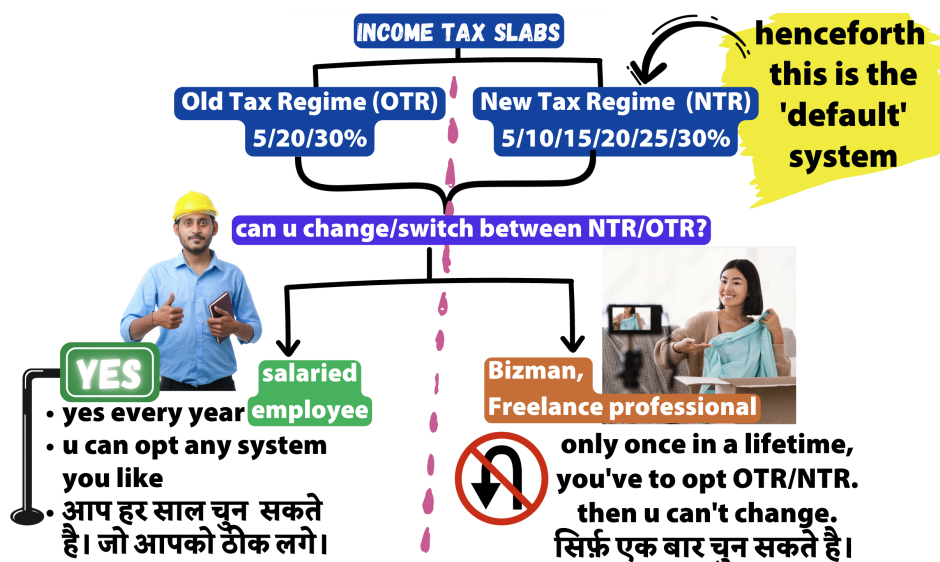
Sr	Matter	OTR	NTR-2025
Sr.1	(Non-Agriculture) Gross Income of salaried employee aged less than 60YR	7,50,000	12,75,000
Sr.2	minus Standard deduction	-50,000	-75,000
Sr.3	minus NPS deduction	-50,000#	N/A*
Sr.4	minus LIC, Home Loan etc deduction etc	-1,50,000#	N/A*
Sr.5	Taxable Income: (Sr.1-2-3-4)	5 lakh	12 lakh
Sr.6	Income Tax on taxable income (Sr.5)	12,500	60,000
Sr.7	REBATE on Income Tax (Sr.6). Tax rebate given only if taxable income upto Rs.5L in OTR OR Rs.12L in NTR	-upto 12,500**	-upto 60,000**
Sr.8	Income tax to be paid (Sr.6-7)	0	0
Sr.9	surcharge on IT if taxable income >Rs.50 lakh	N/A	N/A
Sr.10	4% health & Education Cess on (Sr8+9)	(0+0)x4%=0	(0+0)x4%=0
	Total Tax to be paid	0	0

- # These are max deduction limits. So if u invest more money in LIC/NPS beyond these limits, still you'll NOT get more deduction than this. (इससे ज्यादा पैसा डालोगे तो भी ज्यादा माफ़ी नहीं मिलेगी)
- *in NTR, whether person saves money in LIC/NPS etc or not, he'll not get any deduction benefit (except Std deduction). So N/A = not applicable.
- **Tax rebate allowed only if taxable income upto Rs.5 lakh in OTR OR Rs.12 lakh in NTR. So if Akshay Kumar has 200 cr income = he'll not GET REBATE. He'll have to pay income tax.

21.10.2 Income Tax: NTR increases disposable income

- ⇒ **Disposable income** = income left for spending, after deduction of direct taxes and social security (LIC, NPS etc.) (खर्च करने योग्य आय वो आय है, जो प्रत्यक्ष-कर और पेंशन-बिमा वगैरा भरने के बाद आपके पास रहती है)
- ⇒ in NTR more tax relief than OTR, so yes it increases disposable income → increased consumption and GDP growth.

21.10.3 Income Tax: switching between NTR vs OTR ? What is 'default'?



21.10.4 Surcharge on Income Tax

Surcharge, if taxable income is	OTR (Old Tax Regime)	NTR (New Tax Regime)
More than ₹50 lakh upto 1 cr.	10%	10%
More than ₹1 cr upto 2 cr.	15%	15%
More than ₹2 cr upto 5 cr.	25%	25%
More than ₹5 cr	37%	25%

21.10.5 Effective Income Tax on super-rich person earning >5 cr

Sr	Item	OTR	NTR
Sr1	Income Tax Highest Slab	30%	30%
Sr2	Surcharge on Income Tax	37% of 30%IT = 11.1%	25% of 30%IT = 7.5%
Sr3	Heath Edu Cess on (Sr1+Sr2)	4% (30%+11.1%)=1.64%	4% (30%+7.5%)=1.5%
Effective Income Tax = Sr1+2+3		42.74%	39%

21.10.6 🧑🧑 Income Tax Slabs -> old tax regime -> senior citizens

- New Tax regime doesn't have separate slabs for older people. But,
- (OLD Tax Regime) Income tax slabs for senior citizens are slightly relaxed.

OTR income tax	0%	5%	20%	30%
Less than 60 age	Upto 2.50 lakh	2.50-5 lakh	5-10 lakh	>10 lakh
60 or more but less than 80 age	Upto 3 lakh	3-5 lakh	Same as above	Same as above
>80 age	Upto 5 lakh =0%	N/A		



21.10.7 Revenue Forgone / Tax Expenditure (परित्यक्त राजस्व/कर खर्च)

Sr	Matter	OTR	NTR
1	non-agro Gross salary income	Rs.5.50 cr	Rs.5.50 cr
2	Tax rebate	N/A bcoz income >5 lakh	N/A bcoz income >7 lakh
3	Tax+Surcharge+Cess=	Rs.2,31,35,190	Rs. 2,10,40,500

⇒ Note: above table is **only for example**. Numbers not accurate.

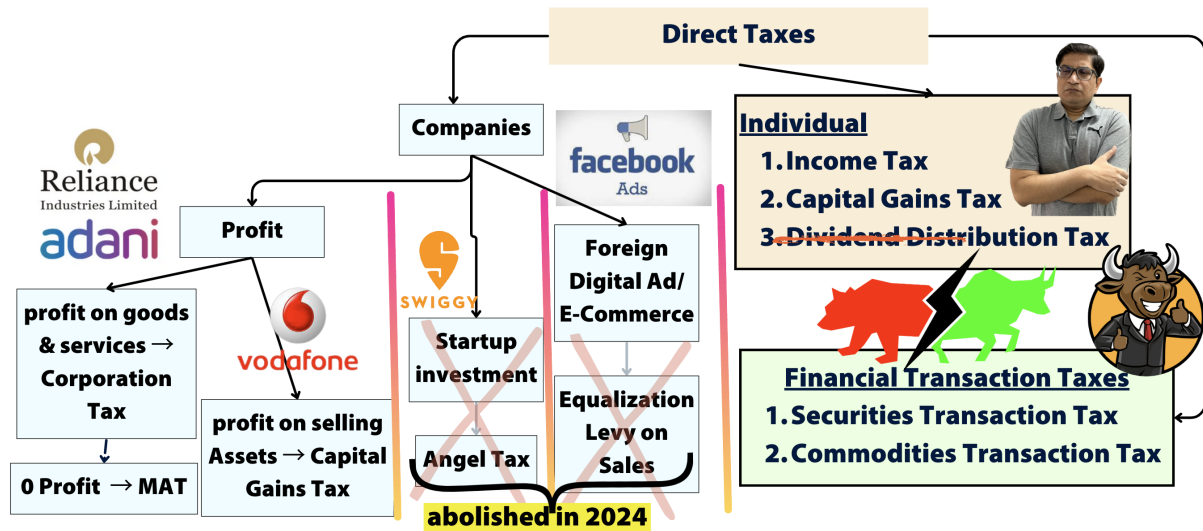
⇒ in above case, Tax Payer has to pay Rs.20,94,690 LESS in NTR compared to OTR.

⇒ So from Tax-payer's point of view, this is 'Tax savings'.

⇒ From the Govt's point of view this is 'revenue forgone / tax expenditure' (सरकार के नए स्लेब/नियमों के चलते जितना कर कम आया, सरकार उस नुकसान को 'राजस्व परित्यक्त/कर खर्च' कहते हैं.)

⇒ Govt deliberately makes such 'revenue forgone' to boost the economy indirectly. (अर्थतंत्र की बहेतरी के लिए सरकार जानबुझ कर ऐसा राजस्व परित्यक्त करती है.)

⇒ 🏠 Budget-2025: revenue forgone ₹1 lakh cr in direct taxes & ₹2600 cr in indirect taxes.



21.11 🍌👩 DIRECT TAXES: MISC. CONCEPTS (इधर उधर के छिटपुट मुद्दे)

21.11.1 🍌👨 Hindu Undivided Family (HUF) (हिंदू अविभाजित परिवार):

- A Hindu, Buddhists, Jains, or Sikhs family members can come together, pool their assets and form an HUF under the Income Tax Act. (उनको आयकर बचाने में कुछ फ़ायदे होते हैं)
- HUF is taxed separately from its members, & helps saving taxes due to certain provisions/loopholes of Income Tax Act. How exactly? Ans. not here for CA exam.

21.11.2 🍌👨 Presumptive Taxation (प्रकल्पित कराधान)

- Salaried employees can easily compute their taxable income from their annual salary, & pay **income tax**. (तनख्वाह-शुद्धा/ वेतन-भोगी कर्मचारी के लिए आयकर गिनना बहुत आसान होता है)
- Companies hire full time Chartered Accountants to compute their taxable income and pay **Corporation tax**. (और कंपनी के मालिक तो हिसाब किताब रखने के लिए CA को नौकरी पे रखेंगे)



- But **self-employed freelance** consultants / professionals such as lawyers, doctors, fashion designers, DJ-walle-babu etc. face difficulty in keeping such account books. (लेकिन स्वरोजगारियों के लिए हिसाब किताब रखना थोड़ा मुश्किल होता है.)
- So, for above persons, Income Tax Act has Presumptive Taxation System. It is not a separate tax but a 'method/formula' to calculate their income tax. How it works? NotIMP. (यह कोई अलग कर नहीं है किंतु आयकर गिरने का एक अलग किस्म का सूत्र है. वह क्या सूत्र है हम पढ़ने नहीं बैठेंगे)

Table 2: 🍌 don't confuse the terms and at the same time no need for CA-giri

Income Tax on income other than agri → (आयकर)	⇒ A direct tax levied by Union. ⇒ Every resident has to pay it on his taxable income. ⇒ Within that income tax: lawyers, doctors, fashion designers etc. self-employed/freelance professionals do calculation of income tax using Presumptive Taxation
Professional tax (व्यवसाय कर) → [गैर-किसान पेशेवर पर राज्य सरकार का कर]	⇒ It is a separate direct tax Levied by State Govt on the professionals (who are not farmers). ⇒ Constitution says it can't be more than ₹2,500 per yr per person.

21.11.3 🍌🕒 Advance Tax ? (अग्रिम कर)

- New financial year starts from 1st April 2019 and ends on 31st March 2020.
- If everyone paid all of their direct taxes at 11:59PM on 31st March 2020, then govt. will face money-shortage for the whole year till 31st March midnight comes.
- So, Advance Tax mechanism requires people to pay their Income tax and Corporation tax in advance-instalments on quarterly basis (every 3-3 months), If their annual tax liability is ₹10,000 or more. (बड़े आयकरदाता और कंपनियों ने हर तीन तीन महीने पर किश्तों में कर जमा करना होगा)

21.12 🍌👤🏠✂️ TDS & TCS

To keep track of income/payment & reduce opportunities of tax-evasion/blackmoney, Government requires TDS/TCS to be collected in certain payments.

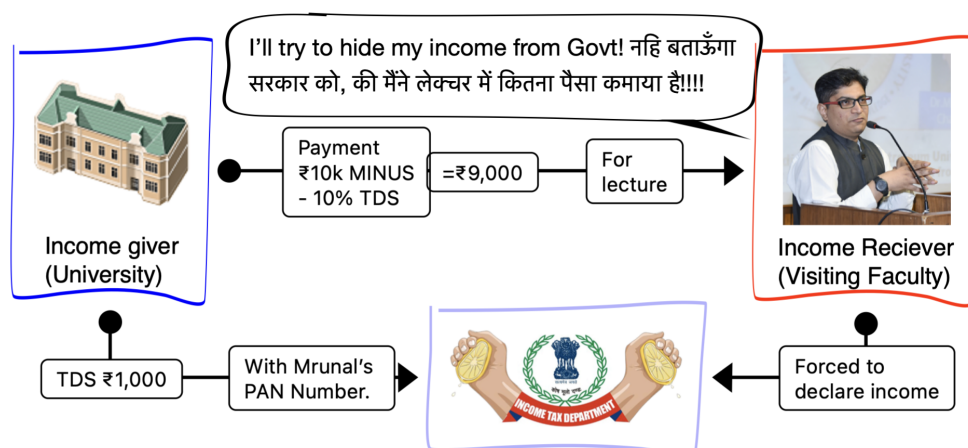
	Who collects/cuts it?	From whose payment?
TDS TAX DEDUCTED AT SOURCE	(खरीदार) Buyer of goods/services/investment before making payment to the seller/investor. Examples: ⇒ University paying salary to employee/professor ⇒ Book Publisher paying royalty to author ⇒ Banker/Bond-Issuer paying Interest ⇒ Company paying dividend to shareholder	⇒ Seller's fees (e.g. wedding-DJ/Catering walla) ⇒ Employee's salary, ⇒ Depositor/ lender's interest ⇒ Shareholder's dividend etc.
TCS: TAX COLLECTED AT SOURCE	(विक्रेता) Seller of Goods/Service e.g. Luxury Car Showroom Owner, Foreign Currency Seller	Customer who is buying specified types of goods/services/foreign currency. (चुनिंदा वस्तुओं और सेवाओं के ग्राहक)



⇒ 🚩👤 FAQ: Whether TDS/TCS applicable on “X” thing or not? 🙋 Ans. not important beyond examples given in table.

⇒ 🚩👤 FAQ: Can we call TDS and TCS indirect taxes? Ans. 🙋 No, they are administrative mechanisms to discourage black money. TDS/TCS are not separate taxes. E.g. TDS that is cut from salary/dividend/bank interest= ultimately that TDS ₹ goes into the income tax computation of respective employee/shareholder/depositor. So TDS is not a separate tax.

21.13 🍋👤🏠✂️ TAX DEDUCTED AT SOURCE (TDS): (स्रोत पर कर कटौती)

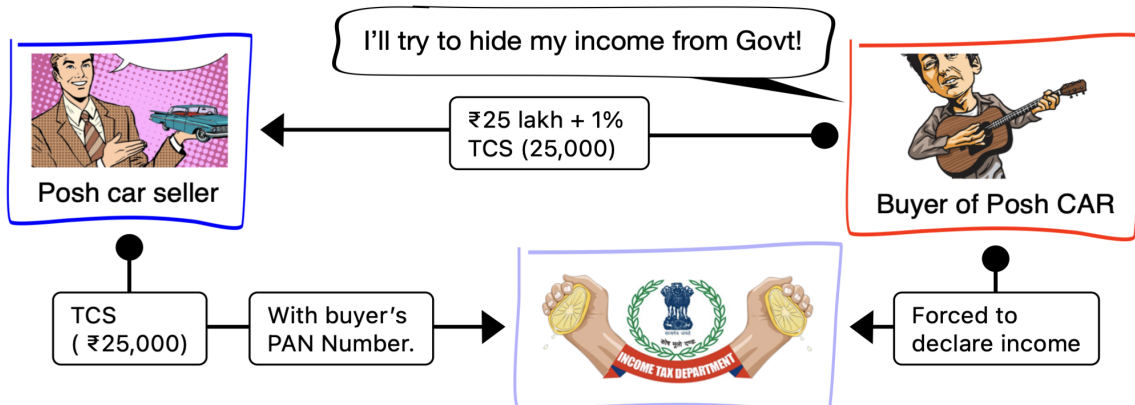


- Suppose a college pays ₹10,000 to a freelance visiting faculty.
- Suppose a bank/NBFC/post-office pays ₹10,000 as interest to a depositor, then how to ensure that payment-recipient (visiting faculty) reports his income to the tax authorities, otherwise he could avoid paying taxes!!
- So, Income Tax Act requires such organizations (college) to deduct a portion of the payment at source and deposit it to IT-dept. along with PAN card number of the recipient.
- Then, payment-recipient (visiting faculty) will be forced to file his tax return form, to unlock his TDS amount.
- 🤔 On one side, TDS helps fighting tax evasion but on the other side, TDS also creates hardship for lower middle-class persons, because part of their payment is cut in advance. So, in each budget, Govt will finetune the norms. (कभी सख्ती की जाती है, कभी रियायत दी जाती है)
- **Budget-2019: TDS on cash withdrawal to encourage digital payments**
 - 2% TDS if total cash withdrawn during a financial year exceed 1 crore from a single user-account in bank or post-office. This will encourage digital payments.
 - **Related?** Banking Cash Transaction Tax (BCTT: 2005-09) in 📄 Pillar#2B:Black Money
- Budget-2020, 2021: some technical changes. NOTIMP for Exam# 🕒 थोड़ा-पढ़ो-आगे-बढ़ो
- Budget-2022: 1% TDS on Bitcoin and other Virtual Digital Assets (VDA)'s transfer/trade.
- 💡 Budget-2024-July: reduced TDS on some transactions.

21.13.1 🍋👤🏠✂️ TDS on influencers / influencer tax



FAQ: but how will company 'deduct' the TDS, when phone is given as 'physical item' to influencer!? they'll have to deposit it extra. then we can't call it 'deducted'. Ans. PYQS given in handout, where is UPSC asking practical problems? move to next topic. PhD NOT-IMP.



21.13.2 🍌🍌✂️ Tax Collected at Source (TCS): (स्त्रोत पर संगृहीत कर)

- If a rockstar buys an SUV car worth ₹25 lakhs, then it means he must be a rich man. How to ensure he is paying Income Tax regularly (apart from TDS mechanism)?
- So, the car showroom owner (seller) is required to collect extra 1% from Rockstar (Buyer) and deposit to IT-dept. Rockstar will have to file tax-return to unlock this amount.
- 💡 Budget-2025: TCS relief given on some transactions. But poor cost benefit preparing list.

21.14 🍌🍌💰 TAX REFUND? (कर वापसी)



- A person is eligible to receive income tax refund from IT-dept IF he has paid more tax to the govt than his actual tax liability. e.g. If college deducted 10% TDS from freelance visiting faculty



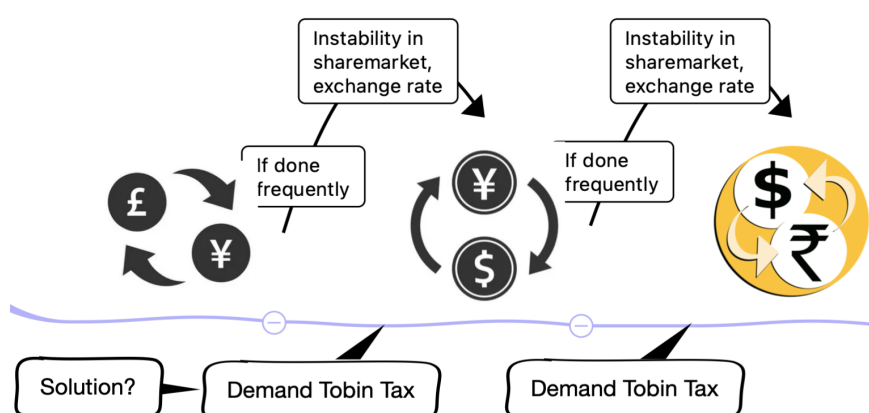
payment, but what if he was in 0% Income Tax slab or earning less than ₹12 lakh then he has to pay no Income Tax!! Then, Income Tax Department will refund his money with interest.

- Similarly, GST refund can be claimed by an entrepreneur from GSTN webportal.

21.14.1 🍌🍌 Tax Refund → Deferred Tax Assets

- In Pillar#1B2:NPA, we had learnt how bankers delete/write-off the NPA from their balance sheet for tax benefit.
- Deferred tax assets is a concept associated with its tax-benefit / tax refund.
- How exactly works? Not imp. If you have time to waste then watch my 9 min Youtube lecture on it https://youtu.be/DzNBzhYw6EY?si=riANs_psHdfP45uz

21.15 🍌 MISC. DIRECT TAXES - FINANCIAL TRANSACTION TAXES (वित्तीय लेनदेन कर)



21.15.1 🍌💰 (Concept) Tobin Tax / Robinhood Tax

- 1970s: Nobel recipient American economist James Tobin proposed a small tax everytime currency is converted into another currency (e.g. \$ to ₹).
- Such tax will discourage short term speculative investment and flight of capital from one country to another = stabilizing the global economy and currency exchange rates and share market.
- In India, foreign currency conversions subjected to GST (which is in indirect tax). However, some other nations collect it as direct tax. (More in 📄 Pillar#3A)

21.15.2 🍌📄 STT & CTT (प्रतिभूति लेनदेन कर और वस्तु लेनदेन कर)

- **Securities Transaction Tax (STT: प्रतिभूति लेनदेन कर)** is levied on the sale and purchase of shares, ETF-units, derivatives and other securities at stock-exchanges.
- Its rate (0.001%-2%) varies as per the nature of the securities.
- **Commodities Transaction Tax (CTT: वस्तु लेनदेन कर)** is levied on non-agricultural commodities traded at Commodities-Exchanges. Rate ~0.01%.
- 🧑🏫 FAQ: WHO will pay this tax? Buyer or seller? Ans. Buyer / seller depends on nature of the financial security. Waste time doing PHD here <https://cleartax.in/s/securities-transaction-tax-stt>
- 🧑🏫 FAQ: how can u call them direct taxes? Ans. They're levied by Central Board of **Direct Taxes** using the powers/provisions under Income Tax Act.
- 🛒 Budget-2024-July: ↑ STT on future-options market. (Ref: Pillar#1C2)

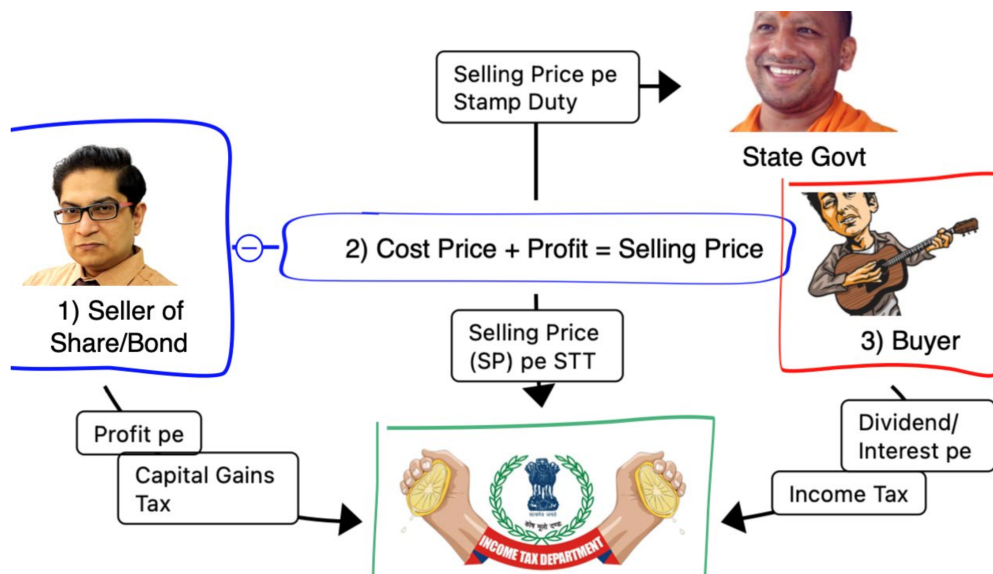


Table 3: Not here for C.A. Exam, #थोड़ा-पढ़ो-आगे-बढ़ो

Direct Tax	By	Description
Capital Gains Tax	Union Govt	Applicable when any capital asset e.g. home/share/bond/bitcoin is “sold at profit” by its previous owner.
Securities Transaction Tax	Union Govt	⇒ Applicable on the selling price of share, bond and other securities. ⇒ Irrespective of whether seller is making profit or loss.
Dividend Distribution Tax	Union Govt	⇒ Applicable on the dividend paid by company to a shareholder. ⇒ 📦 Budget-2020 abolished this tax. (ये टेक्स तो रद्द/बंद हो गया है)
Stamp Duty (स्टाम्प शुल्क)	State Govt	⇒ Applies on value of share/bond/securities, immovable properties (e.g. building) and certain legal agreements e.g. rent agreement etc. ⇒ Irrespective of whether seller is making profit or loss. ⇒ 2020: Union govt amended the Indian Stamp Act, 1899 so that the Stamp duty rates on share/bonds/securities become uniform across the states. (प्रतिभूतियों पर स्टैम्प शुल्क के दरों को सभी राज्यों में एकसमान किया). Union collects → distributes it to State Govt of domicile of the buyer. (प्रतिभूति खरीदार जिस राज्य का है, उधर की राज्य सरकार को मिलेगा) ⇒ Corona 2020 → Union Govt postponed implementation date.



MCQ. Find correct about Securities Transaction Tax (STT) in India: (GPSC'25)

- STT is a tax levied on transactions carried out on the domestic stock exchanges
- STT is an indirect tax.
- STT is collected for the government of India by the stock exchanges.

Codes: (A) 1 and 2 only (B) 1 and 3 only (C) 1 only (D) 2 and 3 only.

Note: as per GPSC **official Anskey** – its “B”. So they also accept STT is direct tax. ChatGPT के भरोसे मत रहो, it may give different ans.

Next Handouts in Pillar#2A2: Indirect Taxes & GST (this is coming next)



PILLAR #2A2: BUDGET: TAXATION: Indirect Taxes & GST

Why so lengthy HDT? Ans. To help u in Plan-B like StatePCS Jobs like Commercial Tax Inspector, Asst. Commissioner, Accounts officer where more GST-GK is asked. (2) GST 2.0 reform ↑ pages

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बजट → राजस्व भाग → प्राप्तियाँ → कर → अप्रत्यक्ष कर

- Indirect taxes fall under the Ambit of FinMin → Department of Revenue (राजस्व विभाग) → Central Board of Excise and Customs (CBEC): (केंद्रीय उत्पाद एवं सीमा शुल्क बोर्ड) → Budget-2018 renamed it as Central Board of Indirect Taxes and Customs (CBIC): (केंद्रीय अप्रत्यक्ष कर और सीमा शुल्क बोर्ड)

22.1 🍌🛒 **INDIRECT TAXES: TYPES (अप्रत्यक्ष करों के प्रकार)**

🍷 Ad- Valorem tax (यथामूल्य कर)	🚫 Specific Tax per unit (विशिष्ट कर प्रति यूनिट)
Taxes based on the value of something. E.g. 35% Customs Duty on import of orange juice. So, if juice priced at ₹1000 imported, then ₹350 as tax.	Tax based on quantity of items. E.g. ₹ 260 Excise duty on production of every 1000 cigarettes of 65-70mm length. Here we're taxing them irrespective of their manufacturing price or selling price.
Easier to administer. [इसे क्रियान्वित करना ज़्यादा आसान है]	Difficult to administer, leads to inspector-raj & litigation. But, if slight increase in this tax, then greater burden passed on to the consumer so it helps reducing harmful consumption. (How exactly? Ans- microeconomics graph is not imp)

22.1.1 Burden of Indirect tax – forward vs backward shifting

Suppose govt increases the GST on ice cream from 18% to 28% → then two things can happen:

- **A) Forward shifting:** Vadilal increases the prices of the ice cream to keep his profit margin same.
- **B) Backward shifting:** Vadilal does not change the price of ice cream (to prevent buyers from shifting to other products), but Vadilal will reduce the salaries paid to workers to keep his profit margin same.

This usually depends on supply vs demand of a commodity. e.g. in case of essential medicines, forward shifting is more likely to happen.

MCQ. Consider the following statements: (CAPF-2024)

1. Burden of a tax on a commodity is independent of who (buyer or seller) it is explicitly imposed upon.
 2. Burden of a tax on a commodity depends on the slope of the demand and supply curves
- Codes: (a) 1 only (b) 2 only (c) **Both 1 and 2** (d) Neither 1 nor 2 [Correct Ans : C]

22.2 🍌🛒 **INDIRECT TAXES: MERITS AND DEMERITS (लाभ व नुकसान)**

😊 Merits लाभ	😞 Demerits नुकसान
➔ Convenient (सुगम) to collect because the	➔ Regressive (प्रतिगामी) in nature, both poor and



😊 Merits लाभ	😞 Demerits नुकसान
traders act as honorary (=unpaid) tax collectors. Wider base because everyone covered e.g. 18% GST on Biscuit. → Elastic (लचीला): small ↑ brings large revenue, because everyone is affected. Although they're "relatively" less elastic than Direct taxes. (Poor cost benefit interpreting its Microeconomics graph) → 🚫 Can ↓ harmful consumption by imposing higher taxes on cigar, alcohol, soft drinks & fast food. (हानिकारक पदार्थों का उपभोग कम करवा सकते हैं)	rich taxed equally for the same item then poor people end up paying more portion of their income in indirect taxes. → This tax is hidden in the price. Customers do not always feel the pinch of paying indirect tax so it promotes less civic consciousness than direct taxes. [नागरिक चेतना नहीं जगाता] → Indirect taxes ↑ → product becomes expensive → demand ↓ so uncertainty involved in how much ₹ ₹ will Govt actually earn? [वास्तव में कितनी आमदनी होगी निश्चितता नहीं] → High level of corruption, evasion, cascading effect if input credit is not given e.g. erstwhile sales tax system. [भ्रष्टाचार, कर चोरी के अवसर]

22.3 🍌🛒🍷🚫 (CONCEPT) PIGOUVIAN TAX (पिगोवियन कर)

- An externality (बाह्यता) is a positive or negative consequence of an economic activity experienced by unrelated third parties. E.g. Cement company (related parties: labourers & consumers benefit); whereas unrelated third parties (local community, flora and fauna) are harmed by cement company's air-pollution. [गैरसंबंधित तीसरे पक्ष पर सकारात्मक या नकारात्मक असर]
- **English economist Arthur C. Pigou** proposed **taxing** the companies that create such **negative externalities**: e.g. polluting industries, cigarettes (passive smoking), alcohol (social disharmony).
- We **HAVE** high level of indirect taxes on petroleum, tobacco and alcoholic products.
- We **HAD** "Clean environment cess" on Rs 400 per tonne of coal (but abolished in GST)
- **Sin tax?** Similar concept- imposing tax on immoral things like alcohol, tobacco. Difference between Sin Tax vs Pigouvian tax = that pedantism/hairsplitters NOT IMP 🎓👉

22.3.1 🏆🍌 Customs duty on gold and other precious metal import

Item	Before	After Gen.Budget 2024
Gold and Silver Bars	15%	6%
Platinum, Palladium, Osmium, Ruthenium, Iridium	15.4%	6.4%

Justification? High level of custom duty on Gold encourages smuggler. So it was reduced.

22.3.2 🏆🛒✈️ Customs Duty-Free Gold Baggage Allowance

Suppose tourist coming from abroad to India, how much gold can she/he bring without paying customs duty?

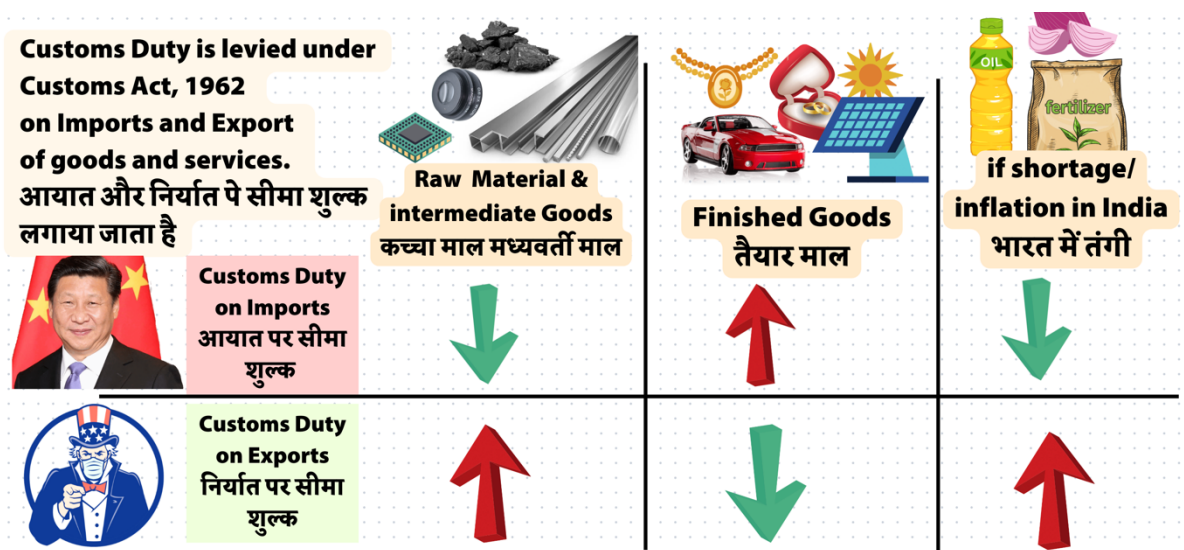
Passenger Category	Jewellery Weight Limit	Max Value Limit (₹)	Customs Duty?
--------------------	------------------------	---------------------	---------------



Male	Up to 20 grams	₹50,000	No duty
Female	Up to 40 grams	₹1,00,000	No duty

- if you are carrying more gold than above limits → have to pay 3%-10% customs duty, depending on the weight.
- 😞 Sometimes, NRIs returning to India for weddings and social events may bring more gold jewelry to wear, leading to custom officials harassing them for bribes at the airport.
- 2025: Delhi High Court ordered the Central Board of Indirect Taxes and Customs (CBIC) to relook/increase the gold-baggage limit.

22.3.3 Customs Duty in 🛒 Budget – normal patterns



22.3.4 Customs Duty on imported lab chemical in 🛒 Budget-2024-July:

- 🛒 Budget-2024-July: ⬆️ customs duty on import of lab chemicals from 10% to 150%.
- but, after protests by scientists, reverted back to 10%
- However, industrial-grade ethanol import will be subjected to 150% customs duty. (reason: because it is misused for making liquor for human consumption)

22.3.5 🛒 Cess and Surcharges on Excise & Customs

Cess / Surcharge	Description
Social Welfare Surcharge (SWS) On Customs (समाज कल्याण अधिभार)	⇒ 🛒 Budget-2018 introduced 10% SWS on Customs Duty on imported goods. ⇒ 🛒 Budget-2021- SWS will no longer be applicable on the gold and silver. (Because additional burden of Agriculture Infrastructure and Development Cess (AIDC) on gold-silver. So, if SWF also levied = too much tax burden on people= Which may encourage more smuggling and black money, so govt exempted these goods from SWS)
Health Cess On Customs (स्वास्थ्य उपकर)	⇒ 🛒 Budget-2020 Introduced 5% Health Cess on the (customs duty + Surcharge) on imported medical devices (आयातित चिकित्सा उपकरण). ⇒ This Cess ₹₹ will be used for building (Ayushman Bharat scheme ke)



Cess / Surcharge	Description
	hospitals (to treat PM-JAY ₹5lakh health insurance-wale poor patients) in Aspirational Districts (आकांशी-जिले=backward districts identified by NITI Aayog.)
Agriculture Infrastructure and Development Cess On Customs And Excise	⇒ Budget-2021 introduced this (कृषि अवसंरचना और विकास उपकर) ⇒ This cess will be applicable on the Excise duty on petrol (cess@₹2.5/litre) and diesel (cess@₹4/litre) ⇒ This cess will be applicable on Customs Duty on Gold silver, alcoholic beverages, certain types of edible oils, certain fruits, certain Pulses, Cotton, Urea/fertilizer. (Cess varies from 1.5-100% depending on item)

22.3.6 Budget-2025 – rationalising cess-surcharges on Customs Duty

Before	After Budget-2025
customs duty pe multiple cess and surcharge on single item. e.g. imported medical device = customs duty + Social welfare surcharge + health cess.	Apply not more than one cess or surcharge. (Probably in reaction to US President Donald Trump's anger over India being an 'import tariff abuser,' i.e. India puts too many taxes on imported items.)

22.3.7 Indirect Tax → Petrol & Diesel price high because

	PETROL (Approx taxes in middle of 2021)	DIESEL
A) Union Tax	Basic excise ₹1.40 + Special additional excise ₹11 + ₹18 Road Infrastructure cess + ₹2.50 Agriculture infrastructure and development cess (AIDC)	Basic excise ₹1.80 + Special additional excise ₹18 + ₹18 Road Infra cess + ₹4 AIDC
B) State Tax	State VAT ₹20 per litre.	State VAT ₹15 per litre.
Total in India = A+B	135% taxes on base price	116% taxes on base price
elsewhere	Taxes on fuel: EU (45-60%), Canada 15-30%, USA (15%)	

⇒ If above fuels are replaced with highest GST slab (28%) → hardly ₹5-6 per litre each for Union and State = Loss of over 4 lakh cr on petrol and diesel taxes in GST system compared to present (Excise VAT) regime.

⇒ So, cheap petrol-diesel is not possible, unless Union and State govts are willing to take deep cuts in their revenue. Corona= direct tax collection ↓ . So govt not eager to reduce tax% on fuel.

22.3.8 Sp. and addl. Excise duty not shared with states by the Union

Tax on petroleum profits	Can finance commission share this with states?
1. Basic Excise Duty	Yes
2. Additional Excise Duty	No
3. Special Additional Excise Duty	No



MCQ. Which of the following components of Central Government taxes on petroleum products is/are not shareable with the States? (CDS-2024-1)

1. Basic Excise Duty 2. Additional Excise Duty 3. Special Additional Excise Duty

Codes: (a) 1 and 2 only (b) 1, 2 and 3 (c) 3 only (d) 2 and 3 only

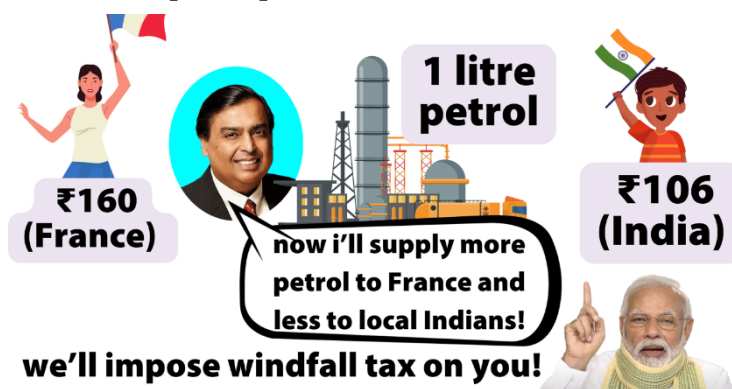
22.3.9 🛒🛢️ Indirect Tax → additional differential excise duty on Unblended Petrol

Govt wants 20% ethanol blending with petrol by 2025 to ↓ GHG emission. 🛒🛢️ Budget-2022 announced one MORE TAX to force the oil refineries to accomplish this target in a timely fashion:

Fuel	Ethanol Blended Petrol	Unblended petrol
Basic excise + Special additional excise + Road Infrastructure cess + Agriculture infrastructure and development cess (AIDC) →	Yes these tax and cess applicable on both type of fuel.	
Additional Differential Excise Duty →	Rs. ₹0/ litre	Rs. 2/litre
Announced in 🛒🛢️ Budget-2022		

इथेनॉल मिश्रित पेट्रोल पर अतिरिक्त विभेदक उत्पाद शुल्क नहीं, जबकि इथेनॉल-अ-मिश्रित-पेट्रोल पर ₹2 प्रति लीटर

22.3.10 🛒🛢️ Windfall Tax on export of petrol/diesel/ATF fuel (2022)



⇒ Windfall Tax is a nickname given to a tax when it is levied on an unforeseen / unexpectedly large profit (अप्रत्याशित मुनाफ़े की स्थिति में यदि कोई टैक्स लगाया जाए तो उसे विंडफ़ॉल टैक्स की संज्ञा दी जाती.)

⇒ 2022: Fuel prices increased sharply in global market. So when Indian refineries export petrol/diesel → They will make a lot more profit compared to previous years. (विश्व बाज़ार में ईंधन के बढ़ी कीमतों के चलते भारत के ईंधन निर्यातकर्ताओं को अप्रत्याशित मुनाफ़ा हो रहा था)

⇒ And also if Indian refiners export more quantity to foreign nations, then it will reduce supply of fuel for local Indians = more inflation in fuel.

⇒ 2022-Jul: government imposed Special Additional Excise Duty (SAED) on export of Petrol (₹6/litre) and Diesel (₹12/ litre) and Aviation Turbine Fuel (₹6/litre).

⇒ Newspapers nicknamed this as “windfall tax”.

⇒ 2022-Aug onwards: fuel prices started to fall in the global market. So now Indian government gradually changing/ deleting / reducing this tax. Then ball by ball cricket commentary notIMP

🏏🛒🛢️👏 (अभी धीरे धीरे इसमें कटौती की जा रही है.)

🚩🧐 **FAQ: can windfall tax be imposed only on indirect taxes / petrol diesel?**

Ans. If government is imposing any direct or indirect tax because of some unforeseen profits to a party, then journalist may label as Windfall Tax.



🚩 FAQ: then can't we say bitcoin profit pe Capital Gains Tax is also windfall tax?

Ans. Journalists/Newspaper/Govt/Chief Economic Advisor/NITI etc have not used this word yet. So I would not use it.

22.3.11 🛒📅: GST on Petrol Diesel Electricity: NITI Aayog 6 year roadmap

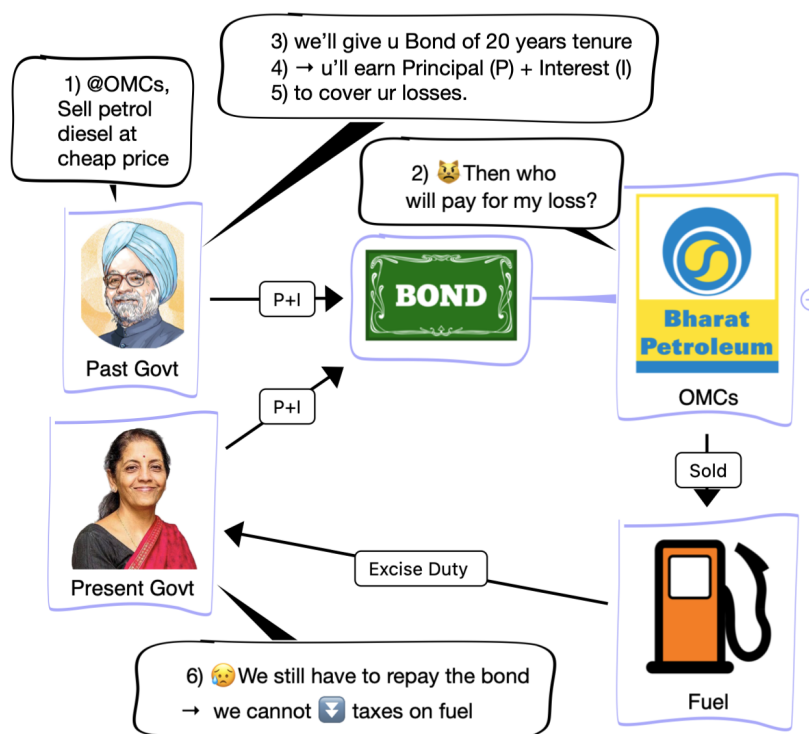
2021-Aug: NITI Aayog proposed following formula:

- ⇒ 28% GST on petrol and Diesel. + Compensation Cess for States (this compensation will be given to states for a period of six years)
- ⇒ 18% GST on Electricity.

👉 However this is a proposal stage. Separately a case is going on at Kerala High Court. We'll update when/if something big happens. (अभी यह सब प्रस्तावित है, असल में लागू होना बाकी है. जब कुछ बड़ा होगा, तो देखेंगे)

Related topic: OPEC Cartel, crude prices? Ans. (📄 Ref: HDT-Pillar#3A: BoP)

22.3.12 🛒📅: Petrol-Diesel: Dynamic Fuel Pricing System & oil bond repayment



⇒ 1970s to 2002: Administered Price Mechanism (APM: प्रशासित/नियंत्रित मूल्य तंत्र): Wherein the government fixed the prices of petroleum fuels and paid subsidy to the oil marketing companies (OMC: तेल विपणन कंपनियां) for their losses by issuing Oil Bonds to them.

⇒ 2002-2014: Govt gradually began decontrolling fuel prices- to reduce its own subsidy burden.

⇒ Present system= Dynamic Fuel Pricing System (ईंधन की गतिशील रूप से बदलने वाली मूल्य प्रणाली): wherein OMCs decide the prices of petrol and diesel on DAILY basis, based on the movement in international prices. Associated keyword/formula/methodology is "Trade parity price (TPP)".



What is means, how it works? = Poor cost benefit chasing that.

⇒ 😍 **Benefit of dynamic pricing?** In theory, If the oil prices lowered in the international market,



petrol diesel should become cheaper in India. विश्व बाजार में दाम गिरने पर इंजन के दाम भारत में भी कम होने चाहिए. But, Union and State govt keep taxes on it so it remains expensive for common people.

- 2021-Aug: FM Sitharaman says we cannot reduce excise duty on petrol and diesel, because we have to repay principal + interest on the oil bonds issued by the previous UPA-II government to subsidise fuel prices in 2012-13. (मोदी सरकार ने कहा पेट्रोल डीज़ल पे उत्पाद शुल्क नहीं काट सकते क्योंकि कांग्रेस सरकार ने जो पेट्रोल डीज़ल पर सब्सिडी देने के लिए ऑयल मार्केटिंग कंपनियों को ओईल-बॉण्ड जारी किए थे उसका बकाया पैसा चुकाना है)

👉 **FAQ: if past Congress govts issued 10-20 year bond then they'd be repaid by now. And or if tenure is 20 years then lot of time available before repayment deadline comes. So why isn't BJP govt reducing taxes? And/OR I've X counter arguments.** Ans. NotIMP4Exam. My job was to give explain the terms for exam. I'm done with it. थोड़ा-पढ़ो-आगे-बढ़ो.

22.4 MISC. ISSUES RELATED TO INDIRECT TAXES

22.4.1 Minerals: royalty not tax. States can demand separate tax- says SC (2024)



- India Cement had secured a mining lease in Tamil Nadu and was paying royalty to the State Government.
- Royalty is not a tax. Royalty is a contractual consideration paid by the mining company to the government (or land owner), for enjoyment of mineral rights,
- State government could levy tax on mines and mineral rights from April 1, 2005 onwards.
- However, State government cannot demand interest or penalty imposed on the pending tax for tax due from 2005–24 |
- Mining companies can pay pending taxes (of 2005–24) in instalments over next 12 years.

State List	Description
Entry 49	State can impose Taxes on lands and buildings.
Entry 50	Union Parliament can make laws to impose limitations on taxes on mining. So, Union had enacted Mines and Minerals (Development and Regulation) Act (MMDRA), 1957.

“But entry 50 does not restrict state's tax powers under entry 49.” - ruled SC.

22.4.2 ULB → Solid Waste Management (SWM) Cess

- Urban Local Bodies (ULBs) levy SWM cess as per Solid Waste Management Rules, 2016.
- While there is no specified rate, ULBs typically charge ₹30–50 per month as SWM cess.



- ULBs collect it along with property tax.

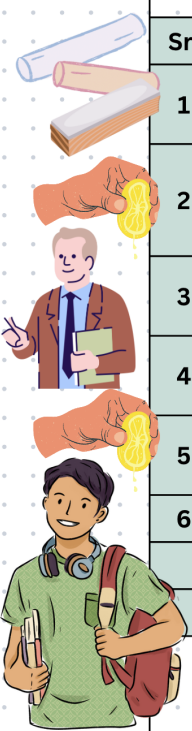
22.4.3 🧑‍💻 Himachal Water-cess on Hydel project is Unconstitutional

- 2023–24: The Himachal State government imposed a 10–50 paise per cubic meter “Water Cess” on companies producing hydroelectricity.
- The Union Government complained to the Himachal HC that the “*State government is already charging an electricity duty. The State cannot charge an extra tax on the process of electricity generation by calling it ‘water cess’. Otherwise, it violates the taxation provisions of the Constitution.*”
- 2024: The Himachal HC ruled that the Himachal water cess is ultra vires/unconstitutional.

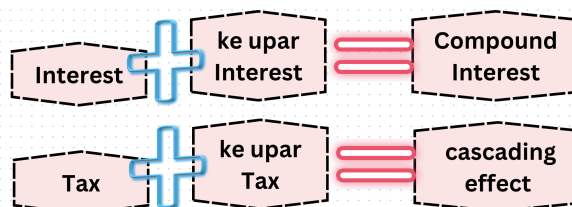
22.5 🍌🛒👤👤👤👤 CASCADING EFFECT OF INDIRECT TAXES

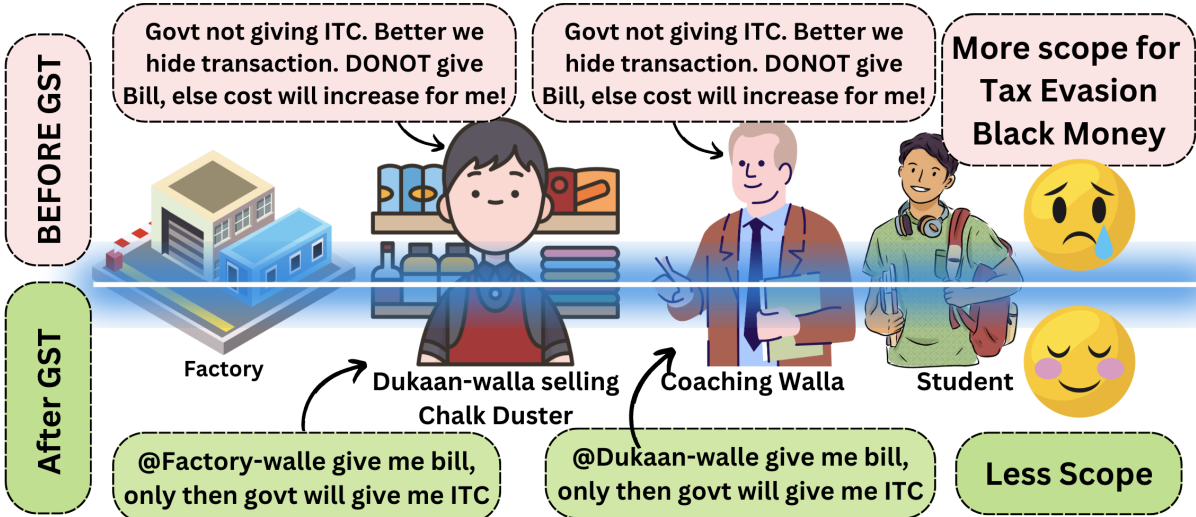
⇒ If a government levies 10% indirect tax every time an item is sold, but doesn't provide input tax credit (ITC) to the businessman, for the taxes he paid in previous stage, then final-customer will have to to pay tax on tax.

⇒ This ‘cascading effect’ of indirect taxes raises the price of final product. (अप्रत्यक्ष करों का सोपानी प्रभाव)

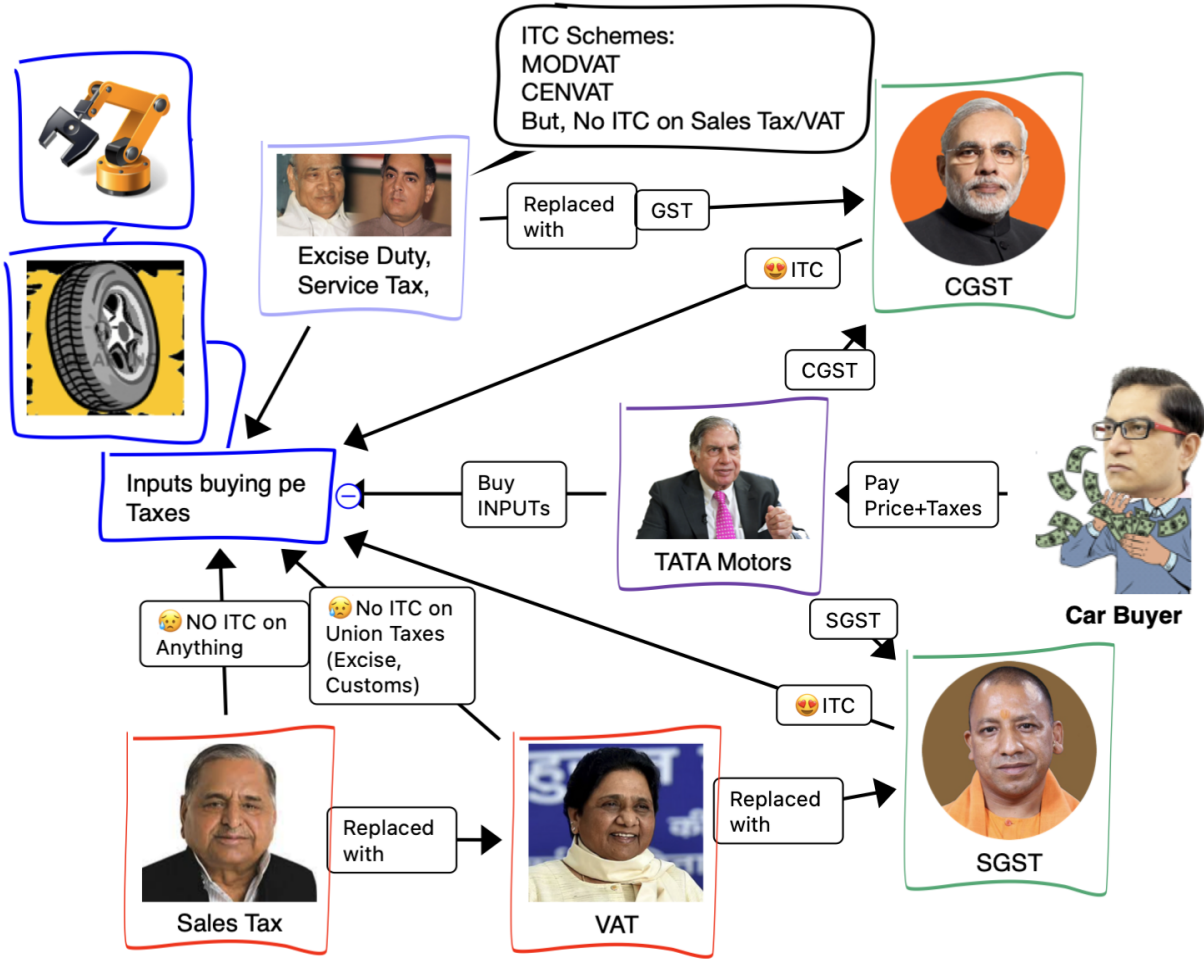


	ColumnA	ColumnB	ColumnC
Sr.	Item	Excise-Sales Tax system	GST
1	Coaching walla buys Chalk, Duster	1000	1000
2	Coaching walla pay 10% Tax to seller	100 as Excise & Sales Tax	Rs.100 as GST but, he'll get refund/ITC so effectively Rs.0
3	Coaching-walla wants Profit	400	400
4	Selling Price (Coaching Fees)	$1000 + 100 + 400 = 1500$	$1000 + 0 + 400 = 1400$
5	Coaching Fees pe 10% tax	$1500 \times 10\% = 150$	$1400 \times 10\% = 140$
6	Student has to pay (5+6)	$1500 \text{ fees} + 150 \text{ tax} = 1650$	$1400 \text{ fees} + 140 \text{ tax} = 1540$
	Difference in final fees	$1650 \text{ minus } 1540 = 110$	
	Reason for Difference	Cell B2 (100) was counted in cost price, uspe tax added in CellB5 -> so extra burden of Rs.110 = CASCADING EFFECT	





22.6 🍌🛒📅: INDIRECT TAXES: A TIMELINE OF REFORMS



Boss?	System	Provided ITC on Union's Taxes	Provided ITC on States' Taxes
Union	MODVAT (1986-2004)	Yes on excise paid by bizman	No
Union	CENVAT (2004-2017)	Yes on excise & services	No



Boss?	System	Provided ITC on Union's Taxes	Provided ITC on States' Taxes
		tax paid by bizman	
State	VAT (2005-2017)	No	Yes on VAT paid by Bizman
Union & State combined (GST Council)	GST (2017)	Yes	Yes

AB CD ? MCQ-UPSC-Pre-2014. The sales tax you pay while purchasing a toothpaste is a:

- tax imposed by the Central Government
- tax imposed by the Central Government but collected by the State Government
- tax imposed by the State Government but collected by the Central Government
- tax imposed and collected by the State Government

AB CD ? MCQ-UPSC-CDS-2013-I. Which of the following are direct tax in India?

- Corporation tax
- Tax on income
- Wealth tax
- Customs duty
- Excise duty

Ans. Codes: (a) 1, 2 and 3 (b) 1, 2, 4 and 5 (c) 2 and 3 (d) 1, 3, 4 and 5

22.7 🍌🛒📅 **INDIRECT TAXES → GST: TIMELINE (समयरेखा)**

2004	Vijay Kelkar Task Force on Fiscal Responsibility and Budget Management (FRBM) recommends GST. [विजय केलकर समिति ने GST लागू करने की सिफारिश की]
2006	In Budget speech, P.Chidambaram announces the launch of GST from 2010
2011	UPA government introduces 115 th Amendment Bill 2011 to implement GST lapsed with the dissolution of 15 th Lok Sabha. (लोकसभा विघटन चलते ये विधेयक पास नहीं हो पाया)
2014-16	Modi govt. introduces 122nd Constitutional Amendment Bill 2014 in 16th Lok Sabha. Since GST aimed to change federal financial relations, so under Art.368, this constitutional bill required: - @Union Parliament Lok Sabha and Rajya Sabha each: 50% majority of the total membership, and 2/3rd majority of all members present and voting. - @State Vidhan Sabha: approval by majority of state assemblies (i.e. 15 Vidhan-sabhas of India at that time) Ultimately, it passed & became - 101st Constitutional Amendment Act, 2016 (संवैधानिक संशोधन अधिनियम/ क़ानून) <u>SIDE NOTE: other imp amendments Acts</u> - 102nd, 2018: Constitutional status to National Commission for Backward Classes (NCTC को संवैधानिक दर्जा दिया जाए) - 103rd, 2019: 10% EWS reservation (आर्थिक रूप से पिछड़े वर्ग के लिए आरक्षण) - 104th, 2020: Anglo Indian reservation removed in LS & Vidhan shaba but SC/ST continued till January 25, 2030. (एंग्लो भारतीय समुदाय का आरक्षण हटाया) - 105th, 2021: To restore states' power to make their own OBC lists- After SC judgement (राज्य सरकार अपनी OBC सूची बना सके)



22.8 🍊🛒🔨 GST: 101ST CONSTITUTIONAL AMENDMENT ACT, 2016

101 वां संवैधानिक संशोधन अधिनियम, 2016 amended following articles in our Constitution.

246-A	- States given power to tax goods and services. (previously, they couldn't tax services.) - But only UNION will have the power to tax inter-state supply of goods and services in the form of "IGST" (एक राज्य से दूसरे राज्य में वस्तु और सेवा की आपूर्ति पर केवल केंद्र सरकार टैक्स माँग सकता है जिसे IGST कहा जाएगा)
268-A	Previously, this article empowered Union to levy Service Tax. But, since tax on services has been brought under GST, this article was deleted. (सेवा कर को हटाया गया)
269-A	IGST (on inter-state trade) will be distributed between Union and states, as per the formula by the GST Council (जीएसटी परिषद)
270	CGST (=new indirect tax of Union, which replaced Excise Duty & Service Tax)..this CGST will be distributed between union and states as per the formula by the Finance Commission (वित्त आयोग सिफारिशों के अनुसार CGST को केंद्र और राज्यों में बाँटा जाएगा)
279-A	President of India to appoint a constitutional body, "GST Council headed by Finance Minister." (जीएसटी परिषद कि नियुक्ति राष्ट्रपति करेंगे, और वित्त मंत्री इस परिषद का अध्यक्ष होगा)
366	🍷 Alcoholic liquor for human consumption (मदिरा) is kept out of GST. (i.e. State govt continue to levy State Excise on its production and State VAT on its sale.)

From 1st July, 2017: **Goods and Services Tax (GST: वस्तु एवं सेवा कर)** became effective. Here, supplier gets input tax credit for indirect taxes of Union & States (CGST, SGST) that he paid in the previous stage. [GST प्रणाली में पिछले चरण में चुकाए गए परोक्ष करों के ऊपर माफ़ी/टैक्स क्रेडिट मिलता है]

22.9 🍊🛒👤👤🙏 GST COUNCIL: COMPOSITION? जीएसटी परिषद

👤 Union representatives (2 प्रतिनिधि)	👤🙏 States' representatives (31)
1. Finance Minister as the Chairman 2. Union Minister of State for finance or revenue. (वित्त या राजस्व के केंद्रीय राज्य मंत्री)	- Each state government (including UT with legislature: J&K, Delhi & Puducherry) can nominate 1 minister to GST council- it may be their minister of finance or Dy.CM or any other minister as per their wish. - One of them will be selected as the Vice-Chairman of GST council.
🗳 Voting power: 1/3 rd (एक तिहाई)	🗳 Voting power: 2/3 rd

✓ If all members don't no unanimously agree over a proposal (यदि किसी प्रस्ताव पर सर्वसम्मति नहीं, तो वोटिंग होगा) → it'll be put for voting → then minimum 3/4th votes required to pass the proposal.

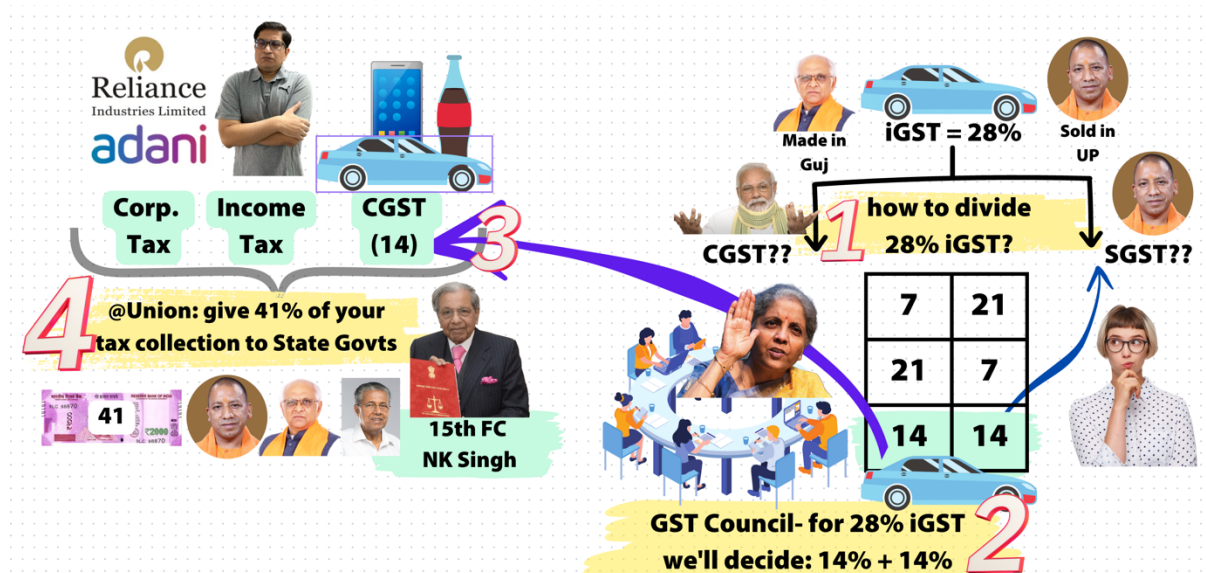
✓ Council Meetings to proceed only with **quorum of 50%** of total membership. (अनिवार्य न्यूनतम हाज़िरी)

22.9.1 🍊🛒👤🙏 GST Council: Functions? They'll decide following-

1. List of indirect taxes, cess, surcharge of the union and states to be subsumed under GST-regime. (पुराने करों को जीएसटी-व्यवस्था में सम्मिलित/ विलीन करना)
2. Decide the date from which Crude oil, Petrol, Diesel, Aviation Turbine Fuel and Natural Gas will be put under GST regime. (Until then excise-VAT on these five hydrocarbon fuel products, will be unilaterally decided by Union and individual States). [कौन सी तारीख से इन पाँच चीज़ों पर GST लगाना है]



3. Decide Standard rates (सामान्य दर) for GST (i.e. CGST, SGST and UTGST). $IGST = \{CGST + (SGST \text{ or } UTGST \text{ depending on destination})\}$
 4. Decide **Special rates (विशिष्ट दर)** for GST, during natural disaster / calamity if required.
 - a. E.g. 2019-Jan, GST-Council also allowed **Kerala** to levy a **1% calamity cess (आपदा उपकर)** on intra-state trade for next two years, for the rehabilitation of 2018's flood-victims.
 5. **Integrated GST (IGST)** system during interstate commerce, and its tax-sharing.
- Update in below graphics:** GST on small cars reduced from 28% to 18% (9+9) in 2025.



6. Norms related to **GST registration of businessmen**. If a goods selling Bizman has turnover above "x" lakhs, he must register @GSTN online portal, he must collect GST from consumers and deposit it there. Originally the "x" was ₹20 lakhs for ordinary states; ₹10 lakhs for Sp.cat states & Telengana. However, in 2019-Jan the GST council doubled this limit to ₹40l & ₹20l respectively. Within this, some technical relaxation given to merchants selling products on E-commerce website. (Turnover limits for service seller bizmen in Manipur, Mizoram etc separate but hairsplittery not REQ, not here for C.A. Exam). [व्यापारी/उद्योगपति/आपूर्तिकर्ता के पंजीकरण के लिए नियम बनाएगा]
7. Protecting the **interests of the special category states (खास श्रेणी के राज्य)** i.e. 8 North Eastern states and Himalayan states (Himachal and Uttarakhand.) e.g. 2021-Sikkim proposed to levy Covid Cess on pharmaceutical companies and electricity companies to collect money for Corona wave 2.0. But, GST Council's group of ministers (GoM) committee rejected Covid Cess proposal. However GoM committee recommended Union Govt to give ₹250 crore grant/compensation to Sikkim for fighting Covid Wave 2.0. (कोरोना की दूसरी लहर से लड़ने के लिए सिक्किम को मुआवज़ा/अनुदान)
8. **Compensation** to the states for their revenue loss in switching from VAT to GST regime (through Cess mechanism: राज्यों को उपकर द्वारा मुआवज़ा)
9. **Dispute settlement** between Union vs state(s), state(s) vs state(s). (विवाद निपटान)



So, Constitutional Amendment → set up GST council → GST council's meeting → laws passed by Parliament and Vidhan Sabhas, to implement the GST related mechanisms.

1. 🧑 Parliament has passed:

- ✓ Central Goods & Services Tax Act (CGST: केंद्रीय वस्तु एवं सेवा कर अधिनियम)
- ✓ Integrated Goods & Services Tax Act (IGST: एकीकृत माल और सेवा कर अधिनियम)
- ✓ Union Territory Goods & Services Tax Act (UTGST: केंद्र शासित प्रदेश माल और सेवा कर अधिनियम): Finance Act 2020 → amends UTGST Act to update list of UTs:
 - i. (new) Ladakh without legislature.
 - ii. (merged) 1) Dadra and Nagar Haveli + 2) Daman and Diu = treated as single UT (because Govt merged them in 2019).
- ✓ Goods and Services Tax (Compensation to States) Amendment Act. माल और सेवा कर (राज्यों को मुआवजा) संशोधन अधिनियम
- ✓ Parliament originally passed them 2017, later amended in 2018 As per the recommendations of the GST Council.

2. 🧑🏻 🙏 State Legislatures have passed State Goods and Services Tax Acts. (SGST)

3. 🧑🏻 ♀️ Jammu & Kashmir passed SGST Act on 8th July, 2017 → then GST system became effective there as well. JAMMU AND KASHMIR REORGANISATION ACT, 2019 has not abolished this SGST act. Present status is:

- ✓ SGST applicable on J&K (UT with Legislature: विधायिका युक्त केंद्रशासित प्रदेश)
- ✓ UTGST on Ladakh (UT without Legi: विधायिका-हीन केंद्रशासित प्रदेश)

🧑🏻 🙏 🧑🏻 ♀️ Stereotyping icons for faster revision. Take no offense.

22.9.2 🏛️ GST Council Decision not binding on States

⇒ 2022- Supreme Court observed that GST Council's decisions are not binding on the states.

⇒ This may create challenges in the future, if (non-BJP) states do not comply with the GST council decisions. (सुप्रीम कोर्ट ने पाया कि GST परिषद के आदेशों को मानना- राज्य सरकारों के लिए अनिवार्य/बाध्य नहीं है.)



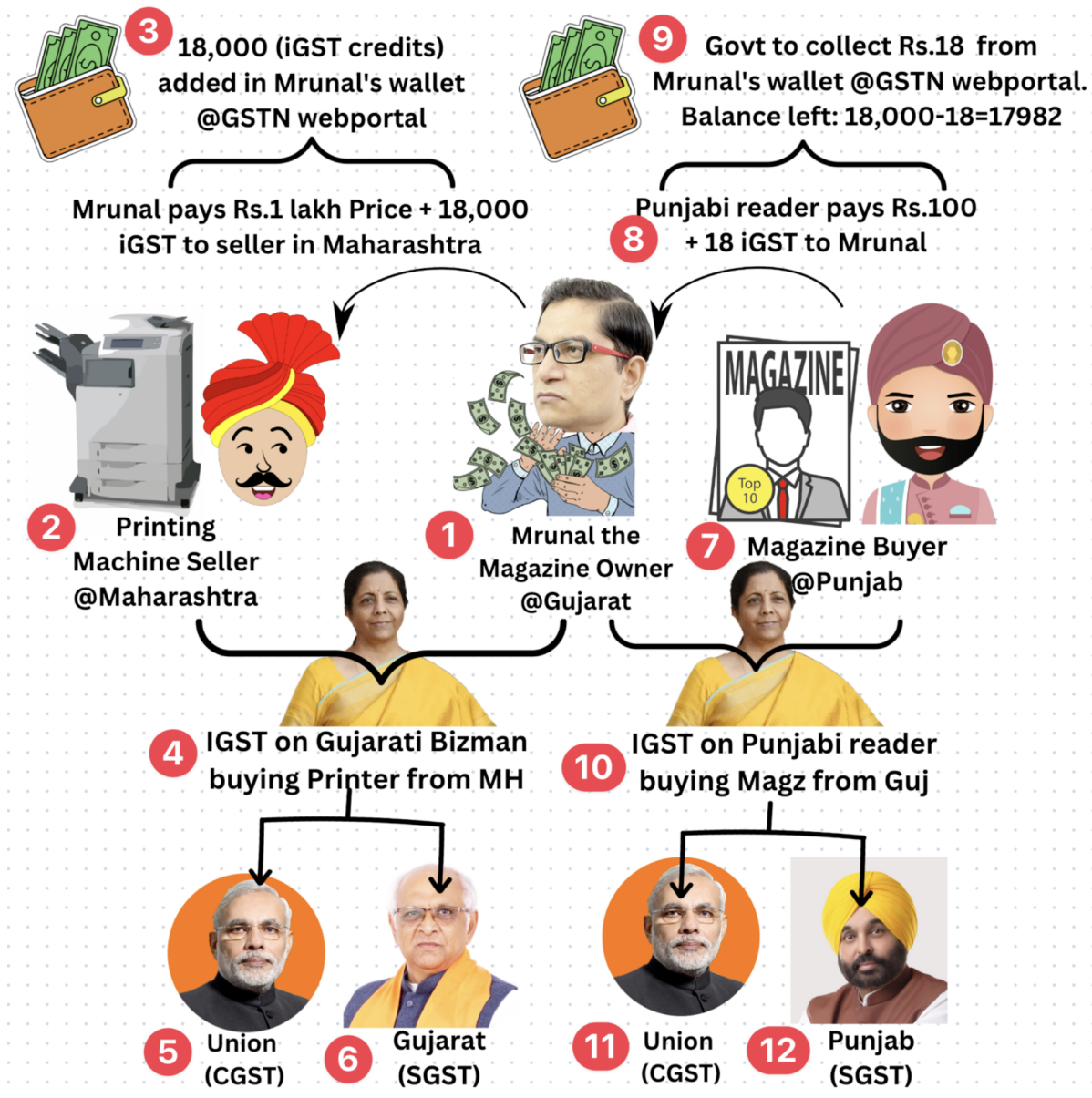
22.10 🍊 🛒 GST INPUT TAX CREDIT (ITC: इनपुट कर प्रत्यय)

Let's understand with an example

in same the State (or UT without legislature) = Intra-state supply (अंत:राज्य)	in another State (or UT w/o LSR) = Inter-state supply (अंतरराज्यीय)
1. 🧑 Union levies → CGST	1. 🧑 Union levies IGST = CGST + (SGST or



2. State levies → SGST	UTGST depending on destination).
3. UT without legislature levies → UTGST	2. From this IGST → CGST goes to Union, and the other portion goes to the Destination State/UT without legislature.



⇒ GST is a 'destination based' indirect tax on consumption of goods & services. (GST उपभोग पर लगने वाला 'स्थान-आधारित' अप्रत्यक्ष कर है)

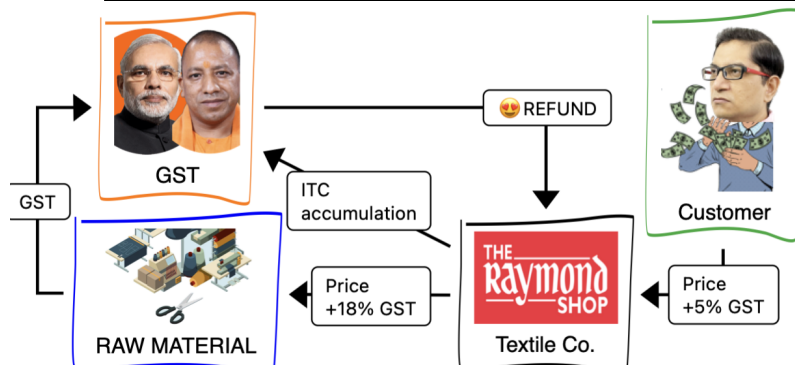
⇒ GST is applicable on supply of goods or services. (वस्तुओं और सेवाओं की आपूर्ति पर लगता है)

22.10.1 🛒📦👕 Inverted Duty Structure Problem in GST (उल्टा शुल्क संरचना):

An inverted duty structure in GST arises when the taxes on output or final product is lower than the taxes on inputs, creating an **inverse accumulation of input tax credit**- then government has to refund the GST to the business man. = administrative & accounting inconvenience for the govt.



Input Raw material	Output Final Product	Implication
Fiber (रेसा) 18% GST	Apparel shirt/pants etc. = 5% GST (वस्त्र), if price not more than ₹2500.	Trader will accumulate 13% GST credit. Govt will have to refund.



Solution: 2025- GST council has reduced the % on raw material (fibers) from 18% to 5%

22.10.2 Inverted Duty Structure problem in GST 2.0 (2025)

Industry	Input (GST %)	Output (GST %)
Tractor	Some parts (18%)	5% on spare parts Tractor -5-18% depending on Engine size
Bicycle	Steel, Plastic (18%)	5% on Bicycle
Edible Oil	12%-18% on inputs like machinery, packaging material,	5% on edible oil ^^

^^Edible oil industry accumulated ₹300+ crore in ITC, but Govt, not refunding/releasing on time → industries is capital is stuck.

22.10.3 🍿 Popcorn -3 rates of GST 1.0

1) Confectionery items

FLAVOURING AGENTS
EMULSIFIERS
COCO POWDER

input
18%



output
18%



2) if i add popcorn in it..

FLAVOURING AGENTS
EMULSIFIERS
COCO POWDER

input
18%



3) we'll accumulate ITC, if this happens!

5-12%?!

4) we've to do 3 rates on popcorn




Item Description	GST
Loose popcorn (not pre-packaged/branded)	5%
Pre-packaged and branded popcorn	12%
Caramelised popcorn (= sweet / sugary popcorn). They are considered confectionery item so higher GST	18%

Justification for 3 rates: To prevent Inverted Duty accumulation for businessman.



👤 How/why? Either u accept in 1 line OR go thru 20 minute video for PHD https://youtu.be/c2bEvBN-_f8?si=GDy4r2PBCBKqn2kH

22.10.4 → GST 2.0 +ve ☑ Popcorn 3 slabs gone

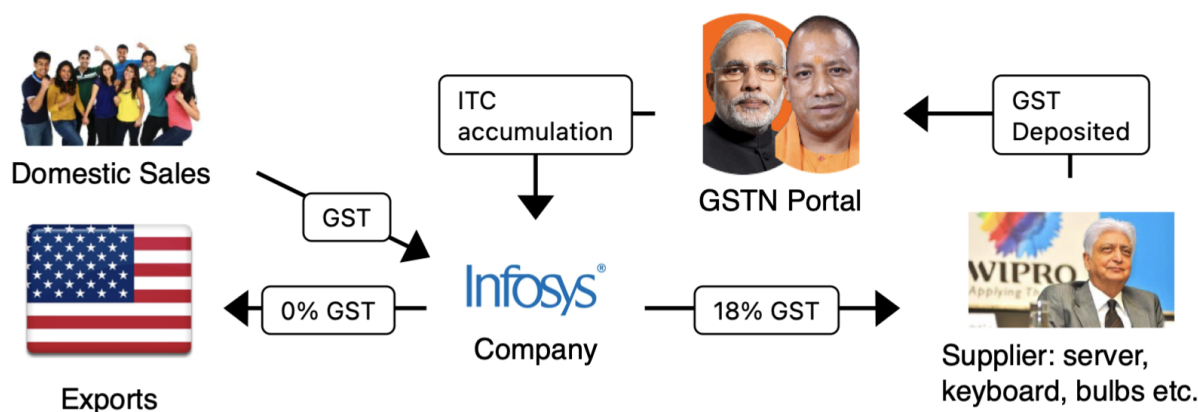
Item	GST 1.0 (2017-25)	GST 2.0 (2025-Sept)
Papad, Bread (branded or otherwise)	0%	0%
Pizza bread, Plain chapatti or roti	5%	0%
Paratha	18%	0%
Popcorn (salted)	5%	5%
Popcorn (regular, salted and spiced)	12%	5%
Popcorn (caramelised)	18%	5%

This reduces the scope for litigation between traders and tax officials. मुकदमेबाजी कम होगी।

22.10.5 🚗 GST on used cars' margin value (2024 – govt issues clarification)

Matter	GST%
If individual person sells his used car to another person	no GST applies.
If a dealer buys a USED-car for Rs 9 lakh and sells it for Rs 10 lakh	the 18% GST only to the Rs 1 lakh margin (profit).
Dealer sells a brand new car to a customer	GST on entire selling price. (Rate of GST depends on type of vehicle e.g. 18% on small car, 40% on SUV etc.)

22.10.6 🌐 GST: Exempt vs ZERO RATED



🌐 GST ZERO RATED (0%)	GST EXEMPT/NIL RATED	🍷 NON-GST Supply
IF Govt levies 0% GST on the Goods/Services & ✅ ALLOWS bizman to claim ITC. For example: ⇒ 18% GST on laptop bought by Infosys	IF Govt levies 0% GST, & 🙅 DOESNOT allow Bizman to claim ITC. E.g. Jaggery (गन्ने का गुड़). ⇒ So if Bizman bought a machine for crushing	These goods/services are NOT subjected to GST. They are subjected to other taxes. E.g. ⇒ Petrol, Diesel etc 5 hydrocarbon products= Excise & VAT.



GST ZERO RATED (0%)	GST EXEMPT/NIL RATED	NON-GST Supply
Company (Input) ⇒ 0% GST on EXPORT of Software Services (Output). ⇒ Here, Indian software company will accumulate / gain 18% GST. ##	sugarcane → he'll not get ITC ⇒ So, then. to recover the cost+tax on input, Bizman may charge more selling price of jaggery on customer.	⇒ Alcohol for human consumption = State Excise & VAT
GST-ITC Given = YES	GST-ITC Given = NO	GST-ITC Given = NO

- ⇒ In Software EXPORT case, Infosys Company gained ITC. So, A) Govt will REFUND and/or B) Infosys can use this ITC for adjusting/offsetting future sales within India.
- ⇒ In both case A and B case, ultimately govt will not be able to earn GST from Infosys, however government benefits from the increased exports → jobs, GDP. Besides, more profit for Infosys in export = more Corporation Tax for Govt.

22.10.7 Vaccine GST can't be 0% ZERO RATED or "EXEMPTED" because

Present situation	→ Export of Vaccine	Domestic Sale of Vaccine
Vaccine →	0% GST (Zero Rated)	5% GST

- ⇒ If Vaccines domestic sales pe 0% GST (ZERO RATED) = Businessman will accumulate large amount of ITC. Govt will have to refund. = Less tax collection for Govt.
- ⇒ If Vaccines' domestic sales pe GST EXEMPT/NIL RATED = Businessman will NOT get any ITC on raw material /machines → he'll price of vaccine on patient. (similar to Sugarcane machine-Jaggery case).

MORAL Outrage: Isn't there an inconsistency in logic/will there not be inverted duty structure problem in Vaccine mfg similar to Textile? Ans. Send suggestion to GST council.



22.11 🍊🛒🧐🗣️ CENTRE'S INDIRECT TAXES SUBSUMED IN CGST

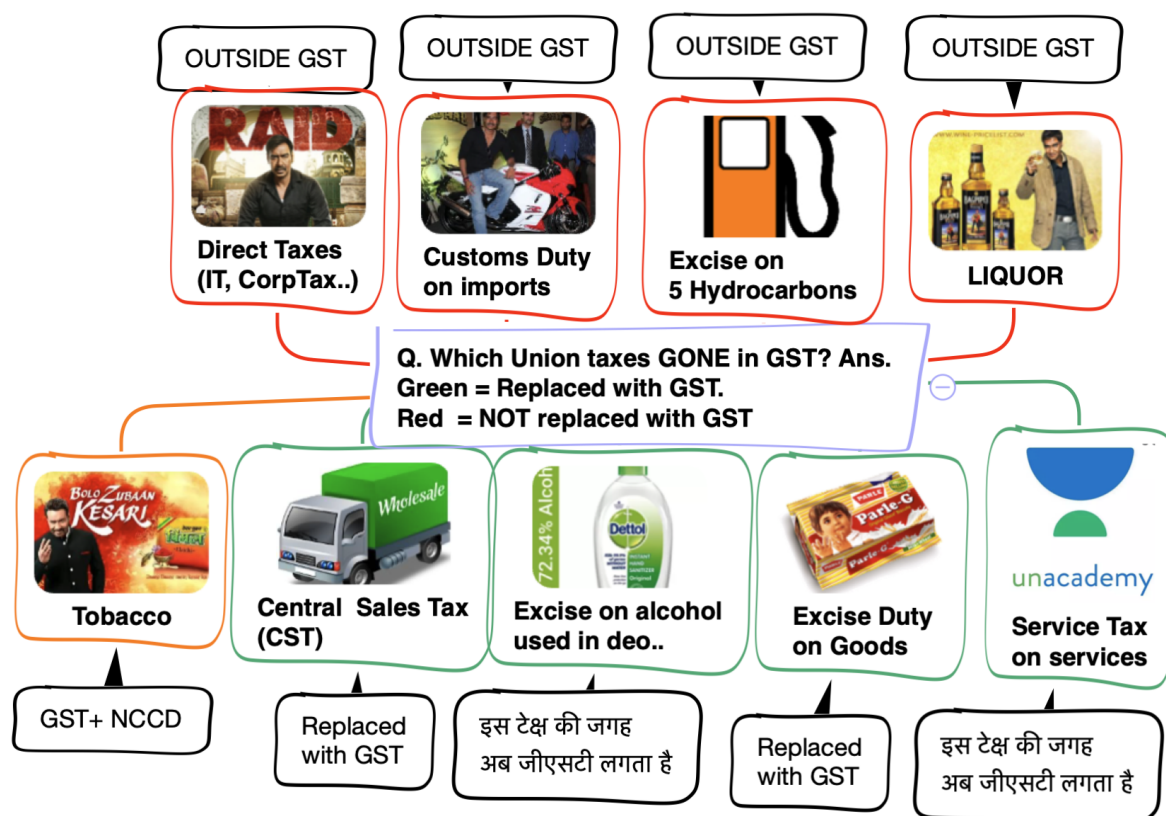


Table 1: केंद्र के अप्रत्यक्ष कर जो केंद्रीय वस्तु एवं सेवा कर (सीजीएसटी) में विलीन हो गए

Indirect Tax of Union	Whether replaced by CGST?
⚓ For import-export: Basic Customs Duty, cess / surcharge on it. सीमा शुल्क और विभिन्न उपकर / अधिभार Related Act: Customs Act 1962	- No, Customs Duty is NOT replaced with GST. It's separate from GST-regime. So, imported goods are subjected to Customs duty + IGST. - Previously, imported goods were subject to Customs Duty + education cess (शिक्षा उपकर) but Budget 2018 replaced it with Customs Duty + 10% Social Welfare Surcharge (समाज कल्याण अधिभार). - 📦 Budget-2020: 5% Health CESS (स्वास्थ्य उपकर) on imported medical devices (चिकित्सा उपकरण) for hospitals construction in Aspirational (=backward) Districts.
⚓ On imports: Special Additional Customs Duty (SAD), Countervailing Duty (CVD), Anti-Dumping Duty (ADD)	They're not 'replaced' with CGST. More about them in (More in 📁 Pillar#3B: World Trade Organization)
Central Sales Tax (CST-केंद्रीय बिक्री कर)	CST was the Union tax levied on sale of items in inter-state trade, and it was assigned to the 'Origin state'. It's replaced with IGST (= CGST + SGST) एक राज्य से दूसरे राज्य में माल सामान बेचने पर ये कर लगता था हालांकि उद्गम राज्य को केंद्र सरकार यह रकम देता था



Indirect Tax of Union	Whether replaced by CGST?
On providing services: Service tax (सेवा कर) and Krishi Kalyan Cess and Swatchh Bharat Cess	- 1994: FM Manmohan Singh introduces 5% Service Tax (सेवा कर) on telephone bills, non-life insurance and stock-brokers [शेयर बाज़ार के दलाल]. - Over the years, more services were subjected to Service Tax. This service tax was NOT applicable on some services e.g. Postal service, School fees etc. - Ultimately, Service Tax+Cess = total 15%. Abolished after GST. [GST आने पर ये सारी चीज़ खत्म हो चुकी है]
On manufacturing/production of goods: Excise duty and various Cess / surcharges on it. (उत्पाद शुल्क और विभिन्न उपकर / अधिभार) Related Act: Central Excise Act 1944	- Yes, completely replaced by CGST (except 5 hydrocarbon fuels: petrol, diesel etc.) - Excise on manufacturing medicinal & toiletry preparations containing alcohol (e.g. Cough syrups, deodorants and perfumes) also replaced by CGST. - Alcoholic Liquor for human consumption- falls in States' purview so Union Excise / CGST not applicable on it.
Excise duty on Tobacco products [तंबाकू उत्पादों पर उत्पाद शुल्क]	- It's replaced with GST. Further, Union also levies + GST Compensation Cess + National Calamity Contingent Duty** (NCCD:-राष्ट्रीय आपदा आकस्मिकता ड्यूटी) on them. [State also charges SGST on it] - ** 101st Constitutional Amendment allows Union to tax tobacco products separately. - NCCD money goes to Public Account → National Disaster Response Fund set up under Disaster Management Act, 2005.
Excise duty on production/refining of Crude oil, Petrol (Motor Spirit), Diesel, Aviation Turbine Fuel and natural gas: कच्चे तेल, पेट्रोल (मोटर स्पिरिट), डीजल, विमानन टरबाइन ईंधन और प्राकृतिक गैस पर उत्पाद शुल्क	- Once GST council decides the date they'll be brought under GST-regime. अभी जीएसटी नहीं लगता. भविष्य में जीएसटी परिषद तय करेगी उसके बाद लगेगा. - Until then refineries / oil-drilling companies have to pay excise duty+cess/surcharges to Union for production / manufacturing of these items. (and petrol pump owner, etc will have to pay VAT to states on their sale.) - Presently, Petrol & Diesel are also subjected to Union's Road and Infrastructure Cess (सड़क और बुनियादी ढांचा उपकर) its ₹ goes into Public Account → Central Road & Infrastructure Fund under Central Road Fund Act 2000.
Corporation Tax, Income Tax, Capital Gains Tax etc [निगम कर,	⇒ Arre Bhai , they're DIRECT Taxes of Union, so they are not replaced by GST. ये सब प्रत्यक्ष कर है.



Indirect Tax of Union	Whether replaced by CGST?
आयकर और पूंजीगत लाभ कर]	⇒ The GST is meant to replace 🍌🛒👩‍💼 INDIRECT Taxes only. जीएसटी केवल परोक्ष करों के साथ जुड़ा है

22.12 🍌🛒👩‍💼 (🙏) STATES' INDIRECT TAXES SUBSUMED IN SGST

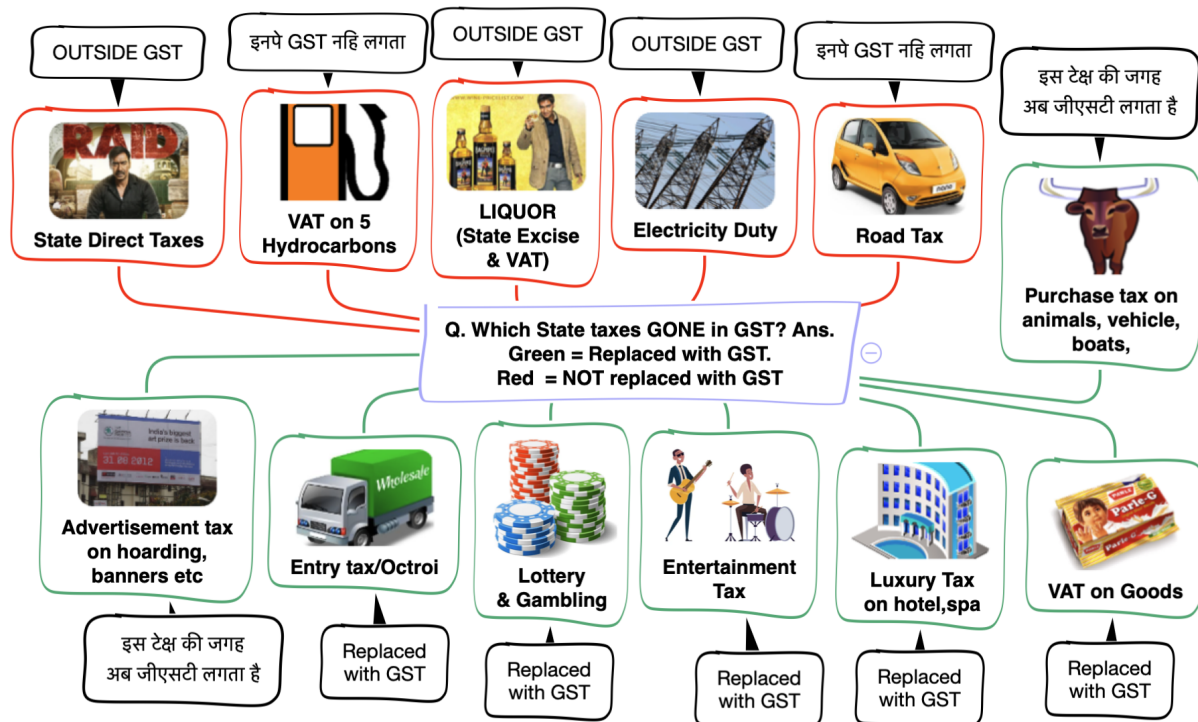


Table 2: राज्यों के अप्रत्यक्ष कर जो राज्य वस्तु एवं सेवा कर (एसजीएसटी) में विलीन हो गए

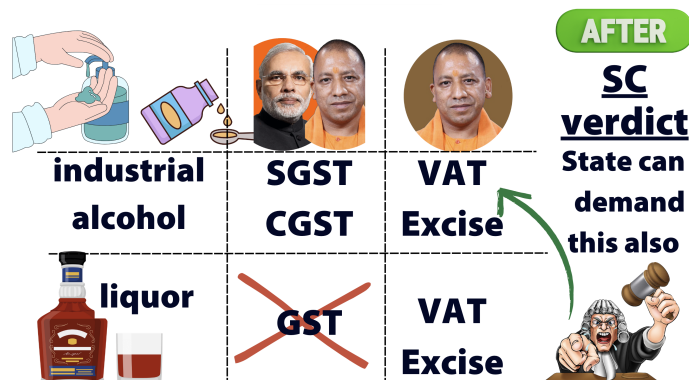
🙏🙏: Indirect Tax of State Govt. →	whether replaced by SGST?
🛒 On sale of goods: State Value Added Tax (VAT) (In some states called “Commercial tax” वाणिज्यिक कर)	✅ Yes, By default VAT is replaced by SGST, but read below:
🛒🚚 State VAT on selling of Crude oil, Petrol (Motor Spirit), Diesel, Aviation Turbine Fuel and natural gas [ईंधन बिक्री पर राज्य सरकार की वेट कर]	👉 Once GST council decides the date, these'll be brought under GST-regime. Until then, petrol pump owners, LPG gas distributors etc. will have to collect VAT (+ any cess / surcharges) from the customers and deposit to the state government.
🍷 State Excise on production of liquor for human consumption (मानव उपभोग के लिए बनी शराब के उत्पादन पर राज्य उत्पाद शुल्क) 🍷 State VAT on sale of liquor for human consumption. (मानव उपभोग के लिए बनी शराब/ मदिरा की बिक्री पर राज्य वेट)	👉 No, they're completely kept out of GST. [unlike above 🚚 petro items where GST council will implement it after “x” date]. Since inception of our Constitution, the power to tax 🍷 liquor was with 🙏🙏: States, & it constituted a major source of revenue for them, so States were unwilling to hand it over in GST regime. Had 🧐 Modi govt tried to bring



	liquor in GST-regime, then majority of the Vidhan-Sabhas may not have passed this Constitutional Amendment Bill.
⚡ Electricity Duty बिजली शुल्क	👉 No, it's not replaced by SGST
🚗 Road Tax on vehicles.	👉 No, it's not replaced by SGST. Its status as direct/indirect tax is vague because in some states/ vehicle categories: buyer himself deposits while in some cases, seller required to collect & deposit.
🚗 Purchase tax on vehicle, boats, and animals-खरीद कर	✅ Yes replaced by SGST
🏠 Advertisement tax on hoarding, banners etc.- विज्ञापन कर	✅ Yes replaced by SGST
🏨 Luxury tax at Hotels, Spas, Resorts etc.- अय्याशी विलासिता कर	✅ Yes replaced by SGST
🚚 Entry tax/Octroi for entry of goods in an area -प्रवेश के लिए कर , ऑक्ट्रॉई	✅ Yes replaced by SGST
🐎 Taxes on Lottery, horse race betting, gambling etc. लॉटरी, घोड़े की दौड़ सट्टेबाजी, जुआ	✅ Yes replaced by SGST. Since they're 'sinful/demerit goods', they're subjected to highest slab 28% in GST 1.0 and 40% in GST 2.0 (2025-Sept)
🎬 Entertainment Tax on Cinema, Live Performance shows etc.- मनोरंजन कर	✅ Yes, replaced by SGST unless levied by a local body. e.g. Kerala local bodies 10% on movie tickets.
🍌 Income tax on Agriculture, Professional tax, Property tax, Stamp Duty, Land revenue [कृषि आय कर, व्यावसायिक कर इत्यादि]	👉 Arre Bhai, they're 🍌 DIRECT Taxes of State so not replaced by GST. The GST is meant to replace 🛒 INDIRECT Taxes only.

22.12.1 🍌 States can control/tax industrial alcohol- ruled SC (2024)

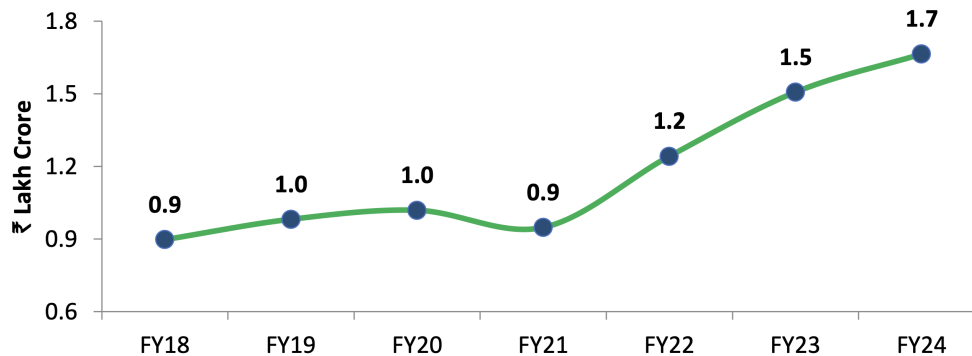
- Industrial alcohol, or denatured alcohol, is ethanol treated with chemicals to make it non-consumable/ poisonous for human consumption.
- It is widely used across industries, such as pharmaceutical (cough syrup), cosmetics (perfumes), toiletry preparations (hand sanitizers) etc.
- However, industrial alcohol can still be diverted illegally to produce drinkable alcohol, leading to deaths. So SC ruled State can regulate & tax the industrial alcohol as well (2024).





Present System	SC Judgement 2024-Oct
1991: SC ruled ONLY Union govt can regulate and tax industrial alcohol State govt can control/tax liquor for human consumption.	State government can control/tax the industrial alcohol as well.
Industrial alcohol subjected to GST. e.g. Extra Neutral Alcohol (ENA) = 9% CGST (Union) + 9% SGST (State) = 18% GST	System continued. But State can now additionally/separately demand some extra tax on industrial alcohol as well. (i.e.VAT and Excise)
Liquor for human consumption outside the scope of GST. Only State Government can levy excise duty and VAT on it.	system continued, as per left cell.

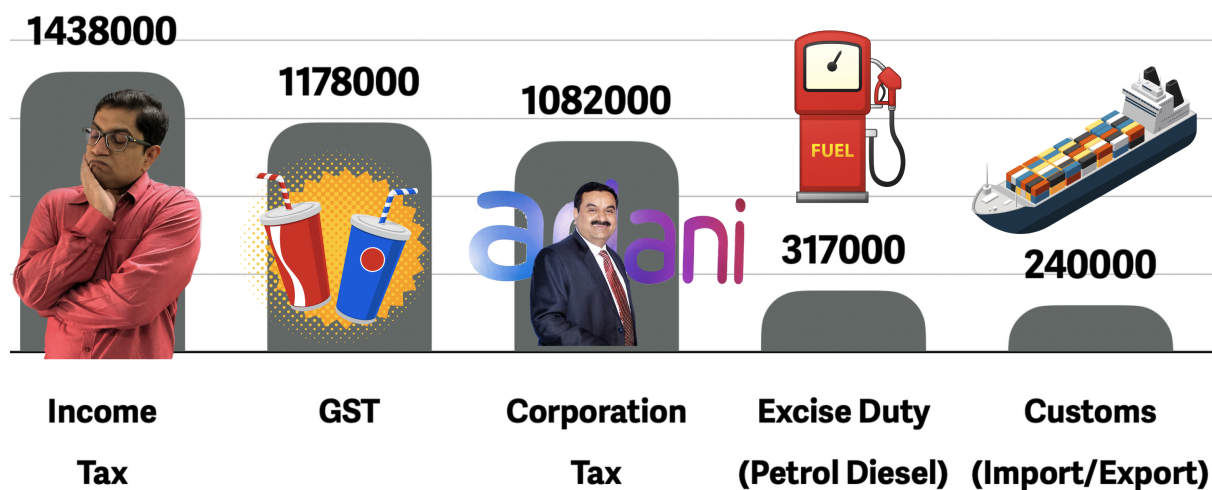
22.12.2 GST Revenue Collection Figures: जीएसटी राजस्व प्राप्ति के आंकड़े



Note: in above Chart: FY18 = 2017-18, FY24= 2023-24 etc.

GST registered suppliers have to deposit the GST at the GSTN portal on monthly basis. In monthly collection of GST, there are ups and downs based on seasonality.

22.12.3 Tax Collection: Highest to Lowest in Budget-2025 (amt in lakh crores)



Budget-2025 & IT > GST > Corporation > Excise > Customs > Service Tax[#]



Budget-2024	
Budget-2023	GST > Corporation > IT > Excise > Customs
Budget-2022	Same as above (2023)
Budgets from 2019, 2020, 2021	Sometimes Corporation tax was #2, sometimes income tax was #2 but poor cost benefit memorizing all that so I am deleting.
Budgets Before 2019	Corporation > GST > IT > Excise > Customs

#Note: Service Tax is discontinued. But old court-cases recovery figure is ₹100 cr for 2025-26.

22.13 GST RATES ON SERVICES = 0%: सेवाओं पर जीएसटी की दर

Which of following is ZERO Rated & which one is NIL Rated/EXEMPT? **Ans.** Poor cost:benefit.

- Services provided by union government, state government, local bodies, constitutional bodies, department of post (except premium services like speed post), Railways (except premium services like first class AC ticket)
- Services by Reserve Bank of India and other financial regulators.
- Services by Banks/NBFCs in connection with Government sponsored banking, insurance and pension schemes. (Refer to financial inclusion handout)
- ESIC, EPFO services to the subscribers, Group insurance schemes for paramilitary forces
- Religious, charitable activities, cooperative societies, Public libraries, Public toilets, Crematorium, Burial grounds.
- Rent on residential accommodation (किराए पर लिया गया रिहायशी मकान)
- Aviation Services in North-eastern States (उत्तर पूर्व में उड्डयन सेवा)
- Transport services to milk, (physical/paperbased) newspaper, defence equipment, disaster relief material
- Doctors, para-medics, Ambulance, Blood bank.
- Agriculture warehouse, cold storage, renting of Agro machinery, Contractor who is supplying farm labourers, APMC (Agricultural produce market committee)
- Agriculture pre-processing of food e.g. ripening, waxing, retail packing, labelling of fruits and vegetables which do not change essential characteristics of the said fruits or vegetables.
- Veterinary doctor, Animal husbandry related services except racehorses
- Educational services by Educational Institutes (like schools colleges universities Vocational institutes. NOT COACHING Institutes)
- Entrance Exam fee collected by Union or state government orgs.
- Private training partners in government skill development schemes
- Sports training and events by recognised sports body
- Sports, Art, Culture etc. clubs with member-fees less than “X” rupees.
- Circus, dance, drama or ballet, award function, concert, pageant, musical performance or any sporting event where admission fees is less than “X” rupees.



19. Admission to a museum, national park, wildlife sanctuary, tiger reserve, zoo, ASI-recognized Heritage sites.
20. **2020-Oct decision:** satellite launch services supplied by ISRO, Antrix Corporation Ltd. and NSIL would be exempted. (More about these organizations in (More in Pillar#5: communication infrastructure)
21. Any service EXPORTED outside India (THEY ARE “ZERO RATED Export”)
22. Individual life and health insurance policy (18% reduced to 0% in GST 2.0-2025)

In the Pre-GST era, most of above services were having 0% Service Tax. वर्तमान में उक्त पर 0% जीएसटी लगता, उसी प्रकार भूतकाल में जब ‘सेवा-कर’ था तो वो भी इनमें से ज्यादातर सेवाओं पर 0% था.

If a given service is not in the above list, then it will be subjected to GST: <see next table>

Example of services (कुछ उदाहरण सेवाओं के जिन पर GST लगता है)	GST 1.0	GST 2.0
Plumbing, carpentering, Ads in print media, Ebooks	5%	5%
- Accommodation in hotels, inns, guest houses with daily charges upto ₹7500/-; Movie tickets less than “X” price, Engineering related services	12%	5%
⇒ 🏠 Coaching Services, E-Books, e-newspaper, e-music, ⇒ WebSeries/OTT platforms-AmazonPrime, Hotstar etc. ⇒ Ads in digital media, Legal and accounting services ⇒ DTH/TV channels, Movie tickets above Rs. “x”, 5 star Hotel rooms	18%	18%
🎰 Gambling, Horse Race club, Casino, online gaming.	28%	40%

For more, you may refer to: <https://cbec-gst.gov.in/gst-goods-services-rates.html>

22.13.1 GST → Services → Rent on Home/Hostel/Office/Shop?

Tenant
किराएदार

Landlord
मकान मालिक

if upto ₹20,000

1. Hostel / PG (Paying Guest):	12% 0%
2. Residential home :	00%
3. Commercial office/shop:	18%

price (rent) + GST = ?

22.13.2 🍋🛒 GST on Actionable Claims

- ⇒ An actionable claim represents a legal right to demand/recover something (money, goods, services) from another party- subject to terms and conditions.
- ⇒ e.g. loan given by bank, credit card, Insurance policy, unpaid invoices, rent, etc.
- ⇒ Actionable claims are subjected to GST. But SOME OF THEM may have separate calculation methods.



Matter	Amount	GST
(A) Loan given / credit card spending limit given	₹10 lakh	N/A
(B) Application processing fee of Bank loan/credit card	₹500	18% GST
(C) Late fees / penalty fee (if/when applicable)	₹100	18% GST
Total A+B=	₹10,00,600	GST only on the application fees (₹500) and penalty (₹100)

🚩👤 FAQ: How is GST counted on rent and unpaid invoices etc? Ans. We are not here for C.A. exam. 🐎 Be a race-horse. Only focus on the track. 🐂 Don't loiter like a street-bull.

22.13.3 🎰 GST on Actionable Claims → Lottery / Online Gaming

Casino and online gaming apps owner had started court-litigation regarding the definition itself - to avoid paying taxes. Their argument is as follows:

♂️ Casino/Gaming Owners' demand	👩⚖️ GST council decision
🙏 Lottery/online gaming is not actionable claim. Because there is no guarantee of winning. So don't ask for GST.	🙌 It is an actionable claim and we will demand GST.
🙏 ok then plz have 18% GST on game of skill (e.g. Chess) and 28% GST on 🎰 game of luck (e.g. Roulette, Dice)	🙌 28% GST on everything. We don't care if it is a game of skill or game of luck.
🙏 still if u want to charge GST on it → then GST should be only on the fees. Plz don't ask GST on the entire amount (=full bet value).	🙌 We'll charge 28% GST on entire amount. See next section 📌





22.13.4 🎰 GST → Lottery / Online Gaming → GST on full bet value (gross value)?

Components	Amt	👨‍💼 Companies' demand	👩‍⚖️ GST council
Bet	₹ 80	🙏 Plz don't ask GST on this	rejected
Platform Fees	₹ 20	🙏 Plz ask only 18% Gst on this	rejected
Total (Full Value of Bet) / gross revenue	₹ 100	🙏 Plz don't ask GST on this full bet value!	28% GST on ₹100

22.13.5 🎰 GST → Lottery / Online Gaming → on 'entry bets' but not on 'winnings'

	👮 GST	👨 Income Tax
 ₹100 Bet	28% GST	NO!
 ₹10,000 Winning	NO!	30% TDS (adjusted with income tax later)
 If Winning (₹10,000) not withdrawn. But again used for more betting	NO!	NO! until he withdraws winning amt

- Update in above graphics: it is increased from 28% to 40% in GST 2.0

- Online gaming with real money is banned through a separate law in 2025. (Ref 2B-HDT)

22.14 🍌🛒🍌 GST RATES ON GOODS : 0%: सामान पर जीएसटी की 0% दरें

Which of following is ZERO Rated & which one is NIL Rated/EXEMPT/0%? Ans. Poor cost:benefit.

- Fresh milk, Pasteurized Milk, Ultra-High Temperature milk (UHT- it has longer shelf life than pasteurized milk, previously UHT = 5% but reduced to 0% in GST 2.0-2025)
- Live animals (except race horses), poultry, pigs, shrimps, fishes, insects etc
- FRESH, "UNBRANDED" and not 'Prepacked' animal products eggs, meat, honey, raw silk etc.
- FRESH, "UNBRANDED" and not 'Prepacked' flowers, leaves, fruits vegetables, unroasted coffee beans & tea leaves, Salt.
- Bread (**except when served in Restaurant/ pizza)
- Prasad supplied by religious places. (धार्मिक स्थानों द्वारा दिया जाने वाला प्रसाद/गंगाजल/पूजा सामग्री)
- Deities made of stone, marble or wood;
- Puja Samagri like Rudraksha, Panchamrit, Gangaajal
- Rakhi, Kumkum, Bindi, Sindur, Plastic / glass bangles without precious metal.



10. Human blood, contraceptives, sanitary napkins, tampons, hearing aid
11. Tocilizumab (Corona Drug), Amphotericin B (Black Fungus Drug) (From 2021-Jun)
12. Firewood. (Note: Electricity is outside GST system. State levy Electricity duty separately)
13. Judicial / Non-judicial stamp papers, Court fee stamps, ordinary post cards etc.
14. Printed Books; physical edition of Newspapers, journals, periodicals irrespective of whether they have advertisement or not.
15. Khadi sold by Khadi and Village Industries Commission(KVIC) certified outlets
16. Gandhi topi, Charkha, national flag, Earthen pot, clay idols
17. Agricultural hand tools like spade, axes, sickle.
18. When a constitutional / public authority auctions the gifts received by him.
19. Spacecraft, satellites and their launch vehicles.
20. Import of specified defense goods not manufactured in India
21. Free sample or gift given. E.g. "Offer: Toothpaste pe toothbrush FREE" then only Toothpaste subjected to GST. No gst on that free-toothbrush. (ग्राहक को लुभाने के लिए मुफ्त में दिया जाने वाला सैंपल)
22. Any Goods EXPORTED outside India (technically called "ZERO RATED Export")

22.14.1 🌸 0%/NIL Goods in GST 2.0 (2025)

- Ultra-High Temperature (UHT) milk, Prepackaged and labelled chena or paneer; Chapati or roti, paratha (previously 5%)
- lifesaving drugs and medicines; drugs for cancer, rare diseases and other severe chronic diseases. (Previously 12-18%)
- art and antiques work, military aircraft, military drones (Previously 18%)
- students: erase, Pencils, Pencil sharpeners, Exercise book, graphs, notebooks etc. (Previously 12%)

If a given goods is not in the above 0% list (and not kept out the GST-regime like *Petrol-Diesel-Daaru*), then it will be subjected to GST: such as following:

22.14.2 🛒 GST Rates on prepacked items : 0% removed

BEFORE-2022	From 2022
0% GST on cereals (wheat rice etc), flour (aata), pulses (daal), curd, Lassi, puffed rice (poha)	5% GST if they're ☒ PREPACKED and ☒ Labelled and ☒ packet size is smaller than 25KG or 25 litres

FAQ: Apart from above items, which other XYZ food item pe above rule applicable or not?

Ans. Newspapers did not bother to highlight but you can satisfy curiosity by doing self-PHD on this list: <https://cbic-gst.gov.in/gst-goods-services-rates.html>

22.14.3 🛒 GST on goods- various slabs

SOME Example of Goods	GST 1.0	GST 2.0 (2025)
Semi-precious stones like agate, amber, topaz, lapis lazuli. Unworked	0.25%	0.25%



SOME Example of Goods	GST 1.0	GST 2.0 (2025)
(rough) diamonds.		
Diamonds cut and polished (this new slab created in 2022-Jul)	1.50%	1.50%
Jewellery, Pearls, Gold, platinum, silver etc.	3%	3%
Electric Vehicle	5%	5%
- Milk powder, Baby food, Pizza bread, Mineral ores, liquid jaggery - Biofuel such as Ethyl Alcohol (Ethanol) for petrol-blending - Some medicines - Textile priced not more than Rs.2500.	5%	5%
Textile priced over Rs.2500	12%	18% 😞
Icecream	18%	5% 😊
➤ Electronics, Computer & Mobile accessories ➤ Alcohol based hand sanitizers ➤ Paint, Polish, Wax and similar petroleum products	18%	18%
Luxury goods, Sin Goods, Demerit goods (विलासिता /पाप/ अवगुण सामान): ➤ Caffeinated Beverages e.g. Red bull, 🚭 Tobacco products, Pan Masala, luxury cars, guns, etc.	28%	40%

MCQ. Which one of the following statements regarding GST is not correct? (CDS-2024-1)

- (a) Amendment bill 115 to the Constitution of India kept alcohol for human use and five petroleum products outside the ambit of GST.
- (b) Amendment bill 122 kept only alcohol for human use outside the ambit of GST.
- (c) Precious metals are taxed at a rate of 1% under GST.
- (d) Unworked diamond is taxed at a rate of 0.25%.

22.14.4 🍷 GST on Extra Neutral Alcohol (ENA)?

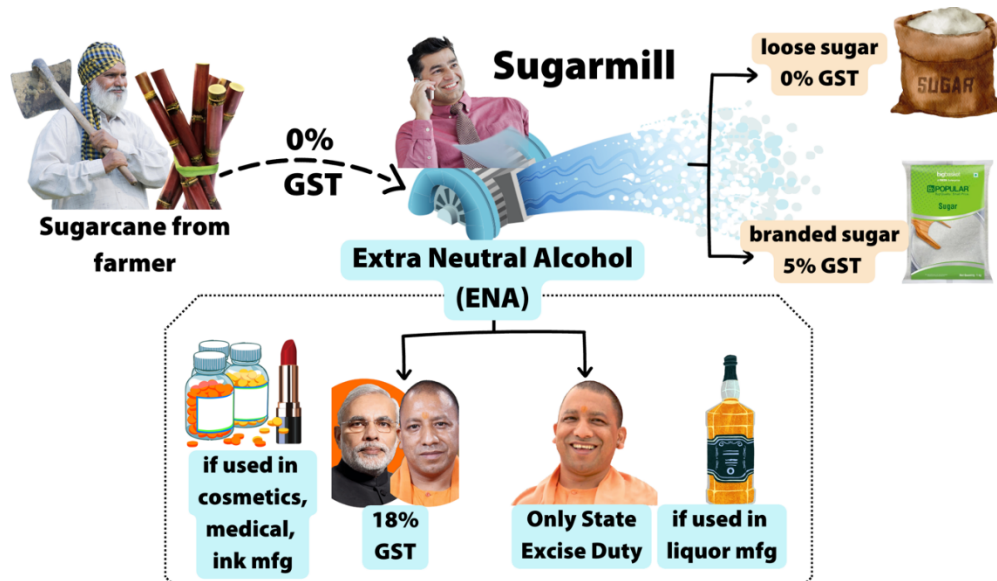
⇒ ENA is made from foodgrains and sugarcane molasses (molasses is a byproduct left after crushing of sugarcane.)

⇒ ENA has neutral smell and taste. (कोई स्वाद/सुगंध नहीं)

⇒ ENA is colourless liquid, it has no impurities. (रंगहीन. कोई अशुद्धि नहीं)

⇒ ENA is used as raw material in cosmetics, medicines, ink, and liquor.

Earlier there was confusion about taxes on ENA. But 2023-Oct: GST Council has given above clarification. That's why news-headlines saying "GST Council cedes right to states on taxing ENA used in liquor for human consumption" (जीएसटी परिषद ने मानव उपभोग के लिए बनाई जाने वाली दारु/मदिरा में इस्तेमाल होने वाले ईएनए पर कर लगाने का अधिकार राज्यों को सौंप दिया)



AB CD ? MCQ. Consider the following items: (Asked in UPSC-Pre-2018)

- 1) Cereal grains hulled
- 2) Chicken eggs cooked
- 3) Fish processed and canned
- 4) Newspapers containing advertising material

Which of the above items is/are exempted under GST (Good and Services Tax)?

- (a) 1 only (b) 2 and 3 only (c) 1, 2 and 4 only (d) 1, 2, 3 and 4

22.15 GST 2.0: INTRO & ORIGIN

- 2017: GST was started with four major slabs- 5%, 12%, 18% and 28%. Additionally, there was special rate for metals and precious stones.
- 2025-Sept: GST was rationalized. 99% of the goods and services in 5% Merit Rate (मेरिट दर) & 18% Standard Rate (मानक दर). [Although few items in the 40% demerit slab (अवगुण-दर); & precious metals and stones in 0.25%-3% sales.]
- New rates will become effective from 22/Sept/2025. However, Pan Masala, Gutkha, cigarettes, Will be subjected to 28% GST + cess, until compensation loans are repaid. (Ref last section of this handout regarding back to back loans)
- Note:** actual list is very huge. Phd from pib.gov.in/PressReleasePage.aspx?PRID=2163555

22.15.1 GST 2.0 +ve: 40% demerit Slab

GST on following good services have been hiked from 28% to 40%

- Sporting events like the IPL 40% (for normal non-IPL sports' tickets: 0% GST if price lower than 500, else 18% GST if price ₹ 500 or higher)
- Betting, casinos, gambling, horse racing, lottery,
- online money gaming (as such it is banned now under separate law)
- Revolvers and pistols,
- luxury cars, heavy bikes (>350cc)
- Aircraft, Yacht and other vessels for pleasure or sports
- Aerated soft drinks e.g. Pepsi-cola; Caffeinated Beverages e.g. RedBull
- Tobacco products, Gutka, Pan masala, Cigar, Smoking pipes



DAILY ESSENTIALS	FROM	TO
Hair Oil, Shampoo, Toothpaste, Toilet Soap Bar, Tooth Brushes, Shaving Cream	18%	5%
Butter, Ghee, Cheese & Dairy Spreads	12%	5%
Pre-packaged Namkeens, Bhujia & Mixtures	12%	5%
Utensils	12%	5%
Feeding Bottles, Napkins for Babies & Clinical Diapers	12%	5%
Sewing Machines & Parts	12%	5%

HEALTHCARE SECTOR	FROM	TO
Individual Health & Life Insurance	18%	Nil
Thermometer	18%	5%
Medical Grade Oxygen	12%	5%
All Diagnostic Kits & Reagents	12%	5%
Glucometer & Test Strips	12%	5%
Corrective Spectacles	12%	5%

EDUCATION	FROM	TO
Maps, Charts & Globes	12%	Nil
Pencils, Sharpeners, Crayons & Pastels	12%	Nil
Exercise Books & Notebooks	12%	Nil
Eraser	5%	Nil

AUTOMOBILES	FROM	TO
Petrol & Petrol Hybrid, LPG, CNG Cars (not exceeding 1200 cc & 4000mm)	28%	18%
Diesel & Diesel Hybrid Cars (not exceeding 1500 cc & 4000mm)	28%	18%
3 Wheeled Vehicles	28%	18%
Motor Cycles (350 cc & below)	28%	18%
Motor Vehicles for transport of goods	28%	18%

FARMERS & AGRICULTURE	FROM	TO
Tractor Tyres & Parts	18%	5%
Tractors	12%	5%
Specified Bio-Pesticides, Micro-Nutrients	12%	5%
Drip Irrigation System & Sprinklers	12%	5%
Agricultural, Horticultural or Forestry Machines for Soil Preparation, Cultivation, Harvesting & Threshing	12%	5%

ELECTRONIC APPLIANCES	FROM	TO
Air Conditioners	28%	18%
Television (above 32") (including LED & LCD TVs)	28%	18%
Monitors & Projectors	28%	18%
Dish Washing Machines	28%	18%

graphics source: IndianExpress dated 4/sept/2025

22.15.2 🌸🧐 GST 2.0 +ve → Promoting Healthy eating habit

Pre-packaged and labelled	GST 1.0 (2017-25)	GST 2.0 (2025-Sept)
Paneer	5%	0%
Cheese	12%	5%

Paneer is considered to be more healthy than Cheese.

22.15.3 🌸🧐 GST 2.0 +ve → Promoting higher/safer quality food

Item	GST 1.0 (2017-25)	GST 2.0 (2025-Sept)
Loose Paneer made by Shopkeeper (= unhygienic)	0%	0%



Paneer prepacked and labelled by Amul	5%	0%
---------------------------------------	----	----

People used to buy loose (=unhygienic) paneer to save money in GST, but now they prefer prepackaged which is safer.

22.15.4 🌸😊 GST 2.0 +ve → Removal of cess → Small Vehicles Cheaper

Item	GST 1.0 (2017–25)	GST 2.0 (2025-Sept)
Small cars (length ≤4m, engine ≤1200cc petrol or ≤1500cc diesel)	28% GST + cess = 43–48%	18% (& no cess)
Luxury cars, SUVs	28% GST + cess = 48–50%	40% (& no cess)
Small Motorcycles (≤350cc)	28%	18%
Heavy Motorcycles (>350cc)	28% + cess = 31%	40% (& no cess)

22.15.5 🌸😊 GST 2.0 +ve → Removal of cess- Coal cheaper?

Item	GST 1.0 (2017–25)	GST 2.0 (2025-Sept)
Coal	5% GST + Cess = 27%	18% GST, no cess.

This will help making thermal electricity more cheaper. Note: electricity is not subjected to GST. It is subjected to state electricity duty.

22.15.6 🌸😊 GST 2.0 +ve → Housing to get cheaper

Item	GST 1.0 (2017–25)	GST 2.0 (2025-Sept)
Cement	28%	18%
Marble, granite, sand lime bricks etc	18%	5%

- It will also unlock capital & cash flow for the builders (bcoz less part of their money will remain stuck in the ITC credits on cement purchase).
- it will make the housing more affordable for the consumers.

22.15.7 🌸😊 GST 2.0 +ve → Fertiliser industry: capital unlocked

fertilizer Industry	GST 1.0 (2017–25)	GST 2.0 (2025-Sept)
input (sulphuric acid, nitric acid, and ammonia)	18%	5%
output (fertilizer)	5%	5%
implication	inverted duty structure^^	capital unlocked

^^ here fertilizer company will accumulate the ITC but, govt will not release the refund it quickly → company's capital will remain stuck up in ITC credits in GST portal. But now the problem is solved.

22.15.8 🌸😊 GST 2.0 +ve GST 2.0 positive for Mains Ans WRITING

Note: it is not possible to memorise every “before-after” rate, so I have only mentioned major rates.

Rate Reduction	Implication
Variety of prepacked food, soap,	Savings for Indian households.



shampoo, toothpaste, a bicycle, kitchenware (12–18% → 0–5%)	
White goods = air conditioners, dishwashers, fridges, etc. Large household electronic appliances. (18%)	Savings for Indian households. Previously, television had two tax rates — 18% and 28% — depending on the screen size 32 inches or more. Now single rate 18%.
Life and health insurance (18% → 0%)	Will make insurance more affordable, particularly for senior citizens and low-income families, raising India's insurance penetration and strengthening social security.
Medicines (reduced to 0–5%)	Wider access to modern medicine and diagnostics, easing financial burdens on households.
Tractors, farm machinery, fertilizers, sulphuric acid, and ammonia (5%)	Lowers costs for farmers, enhancing affordability of essential agricultural equipment, improving farm productivity.
Handicrafts & leather goods	Stimulates employment in labour-intensive traditional industries.
Man-made fibre and yarn (5%)	Removes inverted duty problem and boosts competitiveness, exports, and jobs.
Cement (28 → 18%)	Reduces construction costs, drives multiplier effects in housing and infrastructure.
Renewable energy devices (12 → 5%)	Accelerates India's green growth by making renewable energy solutions more affordable.
Automobiles Small cars & Bikes (28% → 18%)	Demand, production, exports, and jobs.
Commercial vehicles e.g. buses, trucks (28 → 18%)	Reduce logistics costs for the economy Encourage passenger/cargo companies to upgrade their fleets with modern, fuel-efficient, and safer trucks and buses

22.15.9 🌸👨🍳 GST 2.0 +ve → Positive: process and administrative reforms

- Goods and Services Tax Appellate Tribunal (GSTAT) will become operational by year-end (2025) = faster dispute resolution and enhanced trust in the system.
- Faster GST registration for small traders.
- Faster refunds for Zero Rated Supplies & supplies with Inverted Duty Structure.

22.16 🌸👨🍳 GST 2.0- NEGATIVE / CRITICISM, CHALLENGES

22.16.1 🌸👨🍳 Items with no change in GST 1.0 vs 2.0

% rate	Item
0.25%	precious stones other than diamond e.g. topaz



1.5%	jewellery making service
3%	Diamond, gold, pearls, silver
5%	Electric vehicles

22.16.2 🍷😓 GST 2.0 -ve → Insurance industry – no ITC so insurance may not get cheap?

Type	GST 1.0	GST 2.0 (2025-Sept)
Group health policies (e.g. company owner buying for all employees)	18%	18%
General insurance (e.g. car)	18%	18%
Individual life and health insurance	18%	0%^^

- ^^ Insurance company would lose the input tax credits on these policies.
- If they forward shift the burden, insurance policies will remain expensive for consumers.
- If they backward shift the burden, profit margins will decline.
- Therefore, insurance industry wanted not 0% tax, but 5% tax

22.16.3 → GST 2.0 -ve ☒ Inverted duty structure in GST 2.0 (2025)

Industry	Input (GST %)	Output (GST %)
Tractor	Some parts (18%)	5% on spare parts Tractor -5–18% depending on Engine size
Bicycle	Steel, Plastic (18%)	5% on Bicycle
Edible Oil	12%-18% on inputs like machinery, packaging material,	5% on edible oil ^^

^^Edible oil industry accumulated ₹300+ crore in ITC, but Govt, not refunding/releasing on time → industries is capital is stuck.

22.16.4 🌸😓 GST 2.0: Rates increased on some sectors

Type of air ticket	GST 1.0	GST 2.0 (2025-Sept)
Air Tickets Economy Seats	5%	5% 😓
Air Tickets Premium economy and business class	12%	18% 😓
MSME Labour charges	12%	18% 😓
Garments upto ₹2500 😓	5%	
Garments priced > ₹2,500 each	12%	18% 😓

22.16.5 🌸😓 GST 2.0 -ve → Need for reviving Anti-profiteering Authority

Chronology	Matter
2017–22	The National Anti-Profiteering Authority (NAPA) was established to punish



	businesses that failed to pass GST benefits to customers. (2017 में जीएसटी लाभ उपभोक्ताओं तक न पहुंचाने वाली कंपनियों को दंडित करने के लिए राष्ट्रीय लाभ-विरोधी प्राधिकरण (एनएपीए) की स्थापना हुई थी)
2022	NAPA was abolished, and its responsibilities were transferred to the Competition Commission of India (CCI). However, the CCI's limited manpower mostly looks at large corporations. (सीसीआई में मानवबल की कमी के कारण वे केवल बड़े मामले देखते हैं)
2025-Sept	GST 2.0 rationalization raises concerns about companies not passing reduced tax rates to consumers. Given the CCI's understaffing, there's a case for reviving the Anti-Profitteering Authority. (जीएसटी 2.0 में टैक्स कटौती के बावजूद ग्राहक को लाभ न मिलने की चिंता; एनएपीए को पुनर्जीवित करने की जरूरत।)

22.16.6 🍷🤔 GST 2.0 -ve → Loss of 48,000 cr for Govt

- Rate cuts likely to cause ₹48,000 crore a year revenue loss. (Also called called revenue forgone, or tax expenditure, ref 2A1 Income tax HDT)
- The union hasn't clarified how it will compensate the states for this. (संघ ने राज्यों को इसके लिए मुआवजा देने के तरीके पर स्पष्टता नहीं दी।)

22.16.7 🍷🤔 Swiggy Zomato delivery to get expensive?

Service	GST 1.0	GST 2.0 (2025-Sept)
local delivery services through Electronic Commerce Operator (ECO)	Lack of clarity, bcoz Swiggy-Zomato said delivery boy not our employees, we simply collect from customer & give to delivery boys!	18%. e.g. ₹100 Burger pe 5% GST on packed food + ₹20 delivery service pe 18% GST

22.16.8 🍷🤔 GST 2.0 -ve → Bidi to get cheaper- increasing cancer patients

- Input Bidi ke Tendu leaves : 18% to 5% and Output Bidi : 28% to 18%

22.16.9 🌸🤔👉 Conclusion for GST 2.0

- Overall, GST 2.0 has lowered the tax burden on common people, ease of doing business with faster registration for traders, released locked working capital via faster refunds. (जीएसटी 2.0 ने करो का बोज कम किया, पंजीकरण और रिफंड को तेज किया है।)
- Thus, GST 2.0 is a people's reform benefiting citizens, farmers, workers, businesses and entrepreneurs alike. (जीएसटी 2.0 एक जन-सुधार है जो नागरिकों, किसानों, श्रमिकों, व्यवसायों और उद्यमियों को समान रूप से लाभ देता है।)
- GST 2.0 will help in a long way in achieve target of making India a \$5 trillion GDP / 3rd largest economy. (भारत को 5 ट्रिलियन डॉलर जीडीपी / तीसरी सबसे बड़ी अर्थव्यवस्था बनाने के लक्ष्य को प्राप्त करने में काफी मदद)



22.17 🍋🛒🕒 GST COMPOSITION SCHEME (जीएसटी संरचना योजना)



A relief given to small traders. Instead of depositing GST money to Govt on monthly basis, they may deposit it 3-3 months; they'll pay lower GST but won't get ITC. (It has more technical rules. But we'll NOT WASTE TIME in CA-giri).

22.17.1 🍋🛒👉👉👉 1% GST deposit in cash for controlling fake ITC claims

Faded/outdated. Deleting this topic for Prelims-RAFTAAR

22.18 🍋🛒🔄 REVERSE CHARGE MECHANISM (विपरीत प्रभार की व्यवस्था)



कुछ खास मामले जहाँ विक्रेता नहीं बल्कि ग्राहक ने खुद सरकार को GST जमा करना पड़ेगा

- Normally, a seller must collect the GST tax from buyer & deposit to the govt.
- However, in selected cases when seller is not registered with GST number, while buyer is registered with GST number, then buyer will have to deposit the tax to government.
- How / when / why = NOT IMP, EXCEPT the MCQ word Association that 'Reverse Charge Mechanism' is associated with GST, just like 'E-way bill' mechanism is associated with GST.

22.19 🚚📄 E-WAY BILL SYSTEM (ई-वे बिल प्रणाली) FROM 2018 ONWARDS



Figure 1: checkpoint पे उत्पीड़न कम होगा. Img source: Gangaaajal movie

- When goods worth ₹50,000/> are moved within a state (intrastate) or from one state to another (inter-state), then the truck/transport/cargo/shipping/aeroplane company must generate E-way Bill from GSTN Portal / App / SMS.
- E-way bill's self-declaration (that our truck is carrying "x" type of goods worth "y" value) reduces the scope of bribery, delay, red-tape, harassment at the check post, thereby ensuring a hassle-free rapid movement for transporters throughout the country.
- E-way bill system became effective from 2018.



22.19.1 E-Invoice from 2022 onwards

	E-Bill	E-Invoice
Who generates it?	Cargo/courier/transport company delivering goods	⇒ Businessman selling goods/services. It'll also contain info about E-bill (courier company)
🥰 Objective?	🥰 Ease of transporting goods	⇒ 🥰 Separate E-bill not required. Its info embedded inside E-Invoice itself! ⇒ 🥰 improve the tax-surveillance and fight against false ITC-credit claims through fake invoices.

GST council announced **E-invoice** (=bill generation through govt's online portal) from January-2020 but later postponed by Corona. (स्थगित किया, बाद में लागू करेंगे)

22.20 → (👤) (💰) (👤) (♀) COMPENSATION TO STATES: WHY?

Recall Definition: GST is a destination based indirect tax on consumption of goods and services.

(जीएसटी वस्तुओं और सेवाओं के खपत-स्थान पर आधारित अप्रत्यक्ष कर है।)

- ✓ For the Union govt, largest source of tax collection were corporate tax and personal income tax. Both are direct taxes and therefore kept out of the GST regime.
- ✓ For the state governments, VAT was largest source of tax income, but it is to be subsumed under GST, along with other indirect taxes, cess and surcharges levied by the states. Therefore, states were afraid their revenue income will ↓. [राज्यों की आमदनी का मुख्य साधन "वैट" हटा दिया इसलिए वे चिंतित थे]
- ✓ Secondly, GST is a destination-based tax, therefore industrialized states are not happy with it. Consider a Nano car manufactured in Tata's Plant in Gujarat and sold in Uttar Pradesh. (Destination) UP gets SGST, While (Source) Gujarat gets nothing. Although reverse is also true- UP's bicycle sold in Gujarat, then Gujarat will earn SGST and UP will get nothing.
- ✓ But the industrialized states such as Gujarat, Maharashtra, Tamil Nadu, Haryana feared they'd get less SGST revenue in absolute terms compared to erstwhile VAT regime.

22.20.1 → (👤) (💰) (👤) (♀) Compensation to States: HOW?



Parliament enacted GST Compensation to States Act 2017 (राज्यों को मुआवजा अधिनियम)

- ✓ Under its provisions, GST council recommended Union Govt to impose "GST Compensation Cess" (जीएसटी क्षतिपूर्ति उपकर) on specified luxury & demerit goods, like
 - pan masala (60%), tobacco products (cess varies as per product),
 - aerated water & Caffeinated Beverages (12%), coal / lignite (₹400 per tonne),
 - motor vehicles-aircraft-yacht (3-22% depending on type of vehicle).



- ✓ The cess thus collected is used for compensating States for their revenue losses during the first five years since inception of GST. i.e. 1st July 2017 to 30th June 2022
- ✓ GST 2.0 (2025) Cess is removed from cars, vehicles, softdrinks and coal. Cess applicable now on tobacco products only.

Table 3: GST Compensation to States Act 2017 (राज्यों को मुआवजा अधिनियम)

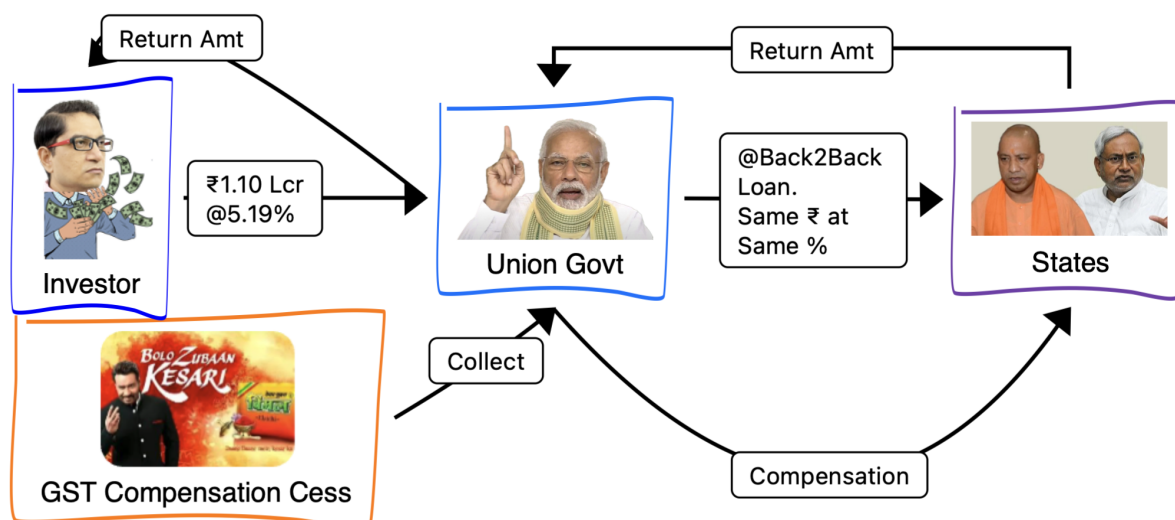
Section-7	⇒ It contains formula for compensation: State's Projected Revenue = 14% annual compound growth rate than its 2015's VAT collection (base year). If current year SGST collection is less than Projected Revenue → Union to pay compensation ⇒ (राज्य का " अनुमानित राजस्व" उसके 2015 के वेट अनुपात की 14% वार्षिक वृद्धि के साथ की गिना गया। यदि राज्य को एसजीएसटी में उससे कम आमदनी हुई तो उस राज्य को, पहले 5 वर्षों के लिए, केंद्र मुआवजा देगा- जनता पर जीएसटी क्षतिपूर्ति उपकर लागू करके।)
Section-8	⇒ GST Council can recommend extending GST compensation cess beyond the period of five years. (5 साल से के पश्चात भी उपकर जारी रखने की सिफारिश कर सकता है।)

- ✓ Compensation available only for SGST. It is not given to The Union Territory Without Legislature (because they've UTGST e.g. Ladakh)
- ✓ State Liquor Taxes are outside GST, so Bihar / Gujarat / Nagaland / Lakshadweep / Parts of Manipur can't ask more ₹ for compensation from GST for having liquor prohibition (मद्य-निषेध).

Year →	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
GST Compensation Cess	95000 cr	98000 cr	1.10 Lakh Cr expected but in reality hardly 85,000cr earned	1.05 Lakh cr.	1.30 lakh cr	1.45 Lcr	1.51 Lcr

Controversy?

- ⇒ Before Corona: since 2019-August onwards payment pending. Also known as "GST Arrears problems" (मुआवजे की रकम बकाया है) . 2019-Dec: only partial compensation released.





22.21 🤔🤔🤔 → 🤑👩🏻👦🏻 GST COMPENSATION & BACK2BACK LOANS

- ⇒ 2020: Due to Corona lockdown, State government and very little amount in SGST.
- ⇒ So, States started demanding ₹2.35 lakh crore in GST compensation from Union.
- ⇒ Union govt's initial reaction was, "Under the GST compensation Act, we are not legally obliged to pay this large amount (₹2.35lcr) because of unexpected circumstances / 'Act of God' / 'Force Majure' like Corona. We can only pay the originally estimated amount (₹97kcr)."
- ⇒ However the Attorney General opined that GST Compensation Act does not provide such exceptions; Union ought to pay the entire loss amount ₹2.35lcr. (अटॉर्नी-जनरल का मानना है कि केंद्र ने पूरी रकम देनी चाहिए क्योंकि जीएसटी मुआवजे के कानून में कोरोनावायरस जैसी आपातकालीन चीजों में केंद्र कोई माफी / अपवाद नहीं)
- ⇒ But, corona → sales ↓ → GST compensation cess collection ↓ . So, the union offered two options to borrow money for the compensation (क्योंकि जीएसटी में आमदनी वैसे भी कम है, इसलिए केंद्र ने राज्यों को पैसा उधार लेकर मुआवजा चुकाने के विकल्प दिए.....)
- ⇒ We will NOT study the difference between those TWO options because it is technical/outdated. Just memorize that States accepted 'modified' version of Option#1 and they got Rs.1.10 lakh crore. (उन दो विकल्पों में क्या मुद्दे/भिन्नताएं थे वो हम पढ़ने नहीं बैठेंगे। बस रट्टा मार लो कि राज्यों ने मुआवजे के लिए विकल्प#1 का एक संशोधित स्वरूप पसंद किया था।)

22.21.1 🤔🤔🤔 [🤑 → 🤑👩🏻👦🏻 Back to Back loans: Beneficiary States

Who?	List of States and UT with Legislature
🐱 Will not get	Some North Eastern State don't have any SGST-shortfall → So they will not get any compensation / back to back loans as per Section-7 formula.
🤑 Will get	Remaining States & 3 UT (with legislature) = they will get the money e.g. Andhra, Assam, Bihar, Goa, Gujarat, Haryana, Kerala etc and Union territories of Delhi, Jammu and Kashmir, Puducherry

22.21.2 🤔🤔🤔🔪⚖️ GST Compensation Cess Extended till 2026

GST Compensation Cess	Originally	🤑 After Corona crisis & Back2Back loan matter
Expiry date →	30/June/2022	31/March/2026 तक सरकार लेती रहेगी ये उपकर/सेस। 07_Sep_25 – it is still collected on tobacco products, bcoz loan repayment is pending.

22.22 🍌🛒👨🏻👩🏻 GST RELATED ORGANIZATIONS (संस्थाएं)

We already learnt about the GST council in the previous pages of handout. Apart from that...

22.22.1 👨🏻👩🏻👦🏻👦🏻 Group of Ministers (GoM: मंत्रियों का समूह)

These committees are set up by GST Council to look into specific issues from time to time. Example

Some examples of GoM headed by _ _	Objective 🎯 (for example)
2021: Conrad Sangma, Meghalaya CM	Sangma to examine GST rates of Covid vaccine, drugs and related items.

22.22.2 ⚖️👨🏻👩🏻👦🏻 National Anti-Profiteering Authority (NAA/NAPA)

राष्ट्रीय मुनाफाखोरी निरोधक प्राधिकरण



- ⇒ GST provides input credit for most of the indirect taxes of the Union and State Govt. So, entrepreneur's cost of production should ↓, then he should also ↓ prices for consumers, yet many companies had not reduced their prices e.g. Dominos Pizza, Nestle, Hindustan Unilever toothpaste & detergents etc. [टैक्स क्रेडिट मिलने पर उत्पादन की लागत कम होती है तो वस्तु सस्ती होनी चाहिए. हालाँकि कुछ मुनाफ़ाखोर कंपनियाँ चीज़ों के दाम सस्ते नहीं कर रही थी तो फिर उन्हें सबक सिखाने के लिए ये संस्था बनायी गई]
- ⇒ So, Union govt **set up NAA under Central Goods & Services Tax Act, 2017 to penalize them.**
- ⇒ This Authority shall cease to exist after 2 years from birth (2017+2= 2019), unless GST council renews it. (हालाँकि जन्म के दो साल में ही इस संस्था को अपने आप बंद हो जाना था, सिवाय कि GST परिषद आयु बढ़ा दे)
- ⇒ GST council extended it till 2022-Nov (कार्यकाल बढ़ाया)
- ⇒ **2022-Dec:** NAA stops working. Now matters related to GST anti-profiteering will be looked after by the **Competition Commission of India**. CCI is a statutory body under Ministry of corporate Affairs, setup under Competition Act, 2002 (Ref: Pillar#1C) (भारतीय प्रतिस्पर्धा आयोग)
- ⇒ GST 2.0 : concerns about companies not passing reduced tax rates to consumers. Given the CCI's understaffing, there's a case for reviving the Anti-Profiteering Authority. जीएसटी 2.0 में टैक्स कटौती के बावजूद ग्राहक को लाभ न मिलने की चिंता; एनएपीए को पुनर्जीवित करने की जरूरत।)

22.22.3 Authority for Advance Ruling (AAR-अग्रिम फैसलों के लिए प्राधिकरण)

- ⇒ Diabetic foods supplements are subjected to 12% GST whereas pasteurized milk is subject to 0% GST. If Amul plans to launch 'Amul Camel Milk' with bottle label: "*Camel milk is easy to digest, high in an insulin-like protein, hence beneficial for diabetic person.*"
- ⇒ So, whether Amul's product be subjected to 0% GST or 12% GST? An entrepreneur would like to such have **clarification** from Tax authorities before starting the production, lest he gets tangled in **raids and litigations** afterwards. (छापेमारी और मुकदमेबाजी द्वारा उत्पीड़न किया जाना)
- ⇒ So, CGST Act, 2017 provides for a **statutory body** called Authority for Advance Ruling (AAR), where entrepreneur can seek such advance clarification.
- ⇒ **Higher appeal?** Appellate Authority for Advance Ruling (AAAR: अग्रिम फैसलों के लिए अपील प्राधिकरण).

 **Benefit?** Reduces scope/opportunity for litigation/harassment/bribe demand → Ease of doing business (व्यापार करने में आसानी) → helps attract Foreign Direct Investment (FDI: प्रत्यक्ष विदेशी निवेश).

22.22.4 GST tribunal (GSTAT) (2023)

GST related cases are heard in the following sequence:

LEVEL	DESCRIPTION
1. Adjudicating Authority	Additional/Joint/Deputy/Assistant Commissioner/ Superintendent- (Depending on the case/amount)
2. First Appellate Authority	Joint Commissioner/ Additional Commissioner / Commission - (Depending on the case/amount)
3. Goods and Services Tax Appellate Tribunals (GSTATs)	⇒ To be Setup based on report of Dushyant Chautala committee. By amending the CGST Act. So, it's a statutory/Quasi-Judicial body. (वैधानिक/अर्द्ध-न्यायिक संस्था है)



LEVEL	DESCRIPTION
Composition 1) 🧑🏫⚖️ President of GSTAT** (Judge of SC/HC) 2) 1 Judicial member 3) 1 Technical member (from Union side) 4) 1 Technical member (from States' side)	⇒ GSTAT- HQ @Delhi & benches in different States/cities. ⇒ Will hear cases related to CGST Act, UTGST Act, SGST Act, iGST Act. Thus, it is the common forum of dispute resolution dealing with Centre and States' GST laws. ⇒ This will help reducing the case pendency at HC/SC. ⇒ GST 2.0 (2025) = we'll set this up by 2025-end.
4) HC and 5) SC	Self-explanatory. (स्वयं स्पष्ट है)

**Note: Don't confuse this post “🧑🏫⚖️ President of GSTAT” with “President of India” (Droupadi Murmu). They are separate posts/people. (इधर हमारे देश के राष्ट्रपति की बात नहीं हो रही है. यह अलग नौकरी/व्यक्ति है)

22.22.5 🧑🏫🧑🏫🧑🏫 Customs, Excise and Service Tax Appellate Tribunal (CESTAT)

Deals with appeals in Union's indirect taxes other than GST. (For GST, there is separate tribunal, refer to previous section.)

- CESTAT: Stage1: Junior Officers | Stage2: Commissioner
- CSETAT: Stage3: Customs, Excise & Service Tax Appellate Tribunal (CESTAT)
- Stage4: HC → SC.

22.22.6 🧑🏫🧑🏫 GST Fitment Committee (जीएसटी फिटमेंट समिति)

- ⇒ Fitment committee contains revenue officials from both Union and states.
- ⇒ They examine the demands / proposals related to changing GST on particular item. (किसी वस्तु या सेवा पर जीएसटी दरों में बदलाव के प्रस्ताव पर समीक्षा करते हैं)
- ⇒ They submit the report to GST Council and then GST Council will take final decision. (फिर ये अपनी राय जीएसटी परिषद को देते हैं। और जीएसटी परिषद अंतिम निर्णय लेगी)
- ⇒ e.g. (2023) Tobacco industry demand reduction in GST. → fitment committee suggested “don't reduce.” → GST council didn't reduce.
- ⇒ However, the recommendations of this committee are not always on the GST Council. (इनकी सिफारिशें जीएसटी परिषद पर बाध्य नहीं हैं. वह तो जीएसटी परिषद खुद के विवेक/मर्जी से तय करेगा.)

22.22.7 🧑🏫🏢 GSTN Network (Not for Profit Company- मुनाफ़ा रहित कंपनी)

2013: Goods and Services Tax Network (GSTN) “Not for Profit” Private ltd. company set up under the Companies Act.

Ownership →	2013-18	Ownership from 2018
Union govt	24.5%	50%
All states of India (incl. Delhi & Puducherry)	24.5%	50%
Non-Government Financial Institutions such as HDFC Bank (20%), ICICI Bank (10%), NSE (10%), LIC Housing Finance (10%)	51%	0%



- ⇒ This company runs the GSTN online portal, where the suppliers register themselves, pay their GST, claim input tax credits, generate e-way bills etc. [Infosys ltd. helped develop this webportal.]
- ⇒ GSTN Network ltd. also provides the IT infrastructure and software services to GST officials for monitoring the tax compliance, issuing notices, data mining etc.
- ⇒ In future, such data could also be shared with the RBI's Public Credit Registry (PCR: ऋण की सार्वजनिक रजिस्ट्री) so the lenders can have a complete picture of the borrower's business.
- ⇒ **GST Suidha Providers (GSPs):** These are selected private IT/Fintech companies that develop apps / software to help the taxpayers interact with GSTN portal. E.g. Zoho Accounting Software.

22.22.8 🇮🇳 🇮🇳 Project Saksham: Digital integration (2016)

CBEC/CBIC launched, "Project Saksham" for data-coordination among following 3 portals

Name of Tax	Excise Duty	Customs duty	GST
Associated Web portal	ACES	SWIFT	GSTN

- Separately, 2018: Indian Railways also launched Project Saksham but with different objective of employees' training and skill-upgradation for doing railway related work.
 - CBIC has **Antarang portal** for internal communication among CBIC officers.
 - CBIC also launched portals such as i) ECTS (Electronic Cargo Tracking System), ii) Risk Management System (RMS), iii) Indian Customs Compliance Information Portal (CIP) etc.
- What is their objective? how do they work? Ans. not important.

22.22.9 🇮🇳 🇮🇳 HSN and SAC Codes

- **Service Accounting Code (SAC)** are used for classifying services for GST rates. e.g. coaching services = SAC Code 999293 = 18% GST.
- **Harmonized System of Nomenclature (HSN)** developed by the World Customs Organization (WCO) is used for classifying goods for GST rates. e.g. Jarda scented tobacco = HAC code 24039930 = 28% GST.
- 🤖 **Benefit?** HSN-SAC coding helps in computerised accounting, billing, digitization, surveillance & big data analytics by Tax authorities.

22.23 🇮🇳 🇮🇳 PAN vs GSTIN vs AADHAR

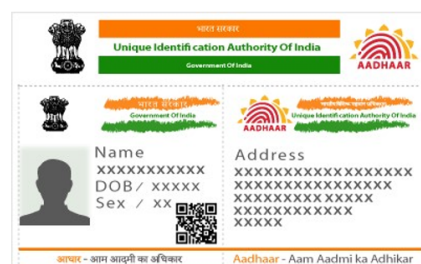
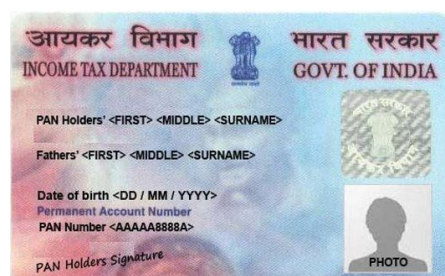




Table 4: 🕒 don't lose too much sleep over it unless preparing for State Tax Dept Exams

Difference	PAN: स्थायी लेखा संख्याक	GSTIN: वस्तु एवं सेवा कर पहचान संख्याक
Full form	Permanent Account Number issued by the Income Tax Department	Goods and Services Tax Identification Number issued by the Central Board of Indirect Taxes & Customs (CBIC)
example	Suzlon Energy ltd: AADCS0472N	Suzlon Energy ltd: 24AADCS0472N1Z8
Format	10 digit alphanumeric number (=containing both alphabets and numbers)	2 digit state code+ 10 digits PAN number + 3 characters = total 15 characters (=containing both alphabets and numbers)
Who has to get it?	Every income tax assessee- individual, HUF, firm, company, trust (internal different not imp.)	- IF Individuals / firms registered under the Pre-GST law (i.e., Excise, VAT, Service Tax etc.) OR - IF your biz. turnover is above a threshold limit of “x” lakhs for ordinary states or “y” lakhs in Sp.cat. States. OR - Merchants who sell through e-commerce aggregators like Amazon.
Do all taxpayers have it?	Every PAN card holder is not REQUIRED to have GSTIN. (e.g. a salaried employee)	Every GSTIN holder is required to have PAN card number. (Because its format is like that, observe “format” row above).
How many numbers / cards can one have?	- Only 1 PAN number allowed per individual. - Only 1 PAN number allowed per company. - Subsidiary firms will have to get separate PAN numbers.	- If firm operates from more than one state, then a separate GST registration is required for each state. - If a firm has multiple subsidiaries, they have to get GST number for each e.g. “Faith Hospitality Chain ltd → Sam’s Pizza restaurant, Sankalp Dosa restaurant, Saffron Punjabi restaurant”
Objective	Prevent evasion of direct taxes.	Prevent evasion of GST, and help the entrepreneurs claim their input credits.

- PAN number is required for various activities like opening of bank account, opening of demat accounts (for trading in securities), obtaining registration for GST, VAT-Excise registration (for Petrol-Liquor dealers) etc.
- So, PAN is slowly becoming a Common Business Identification Number (CBIN) or simply **Business Identification Number (BIN)**: सामान्य व्यवसाय पहचान संख्याक)- because if a Department knows your PAN number they can dig all information about you, know whether you’re eligible to fill up a particular tender or contract or a scheme application form or not?



22.23.1 PAN/GSTIN vs UID (=Aadhar Card)

Table 5:  don't lose too much sleep over it unless preparing for State Tax Dept Exams

 PAN and GSTIN	 UID (=Aadhar Card)
Issued by the direct and indirect tax authorities that function under Ministry of Finance.	Issued by a Statutory body- Unique Identification Authority of India (UIDAI: भारतीय विशिष्ट पहचान प्राधिकरण) under Ministry of Electronics and Information Technology (MeitY).
These Tax authorities derive powers from: - Income Tax Act 1961 - Goods & Service Tax Acts in 2017.	Aadhaar Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (“आधार एक्ट 2016”)
Primary objective of these id-numbers is to reduce tax evasion by tracking the transactions.	Primary objective is to eliminate bogus beneficiaries in government schemes & reduce subsidy leakage. Auxiliary benefits: Identifying dead bodies, tracking criminals, mobile number ownership, tax evasion etc.
 format contains both numbers + alphabets.	 Unique Identification number (UID) or Aadhaar is a 12 digit number. No alphabets.
Issued for individual humans, HUF/firms/companies/trusts**.	Only for living resident HUMANS of India. Not given for companies. Resident is defined as person who lived in India for 182 days/> in last 12 months.  Full-Budget-2019: we'll consider giving immediate Aadhaar card to NRIs with Indian Passport so they don't have to wait till ~180 days. It'll help them get through KYC bank/share market transaction.
One HUMAN → one PAN number only. No age limit. Minors can also join.	same (एक इंसान का सिर्फ एक आधार कार्ड निकल सकता है)
- Registration for PAN card/ GSTIN is free.	Same as left cell. मुफ्त में मिलता है.
Compulsory to enroll (अनिवार्य है), if your income or turnover is beyond “x” rupees**.	Voluntary to enroll. आधार कार्ड बनवाना स्वैच्छिक है. अनिवार्य / बाध्यकर नहीं है. * *
They contain - Name - Photograph & Date of Birth (in case of “Human”) - Address.	Demographic info: - Name, Date of Birth, Gender, Address. - Mobile & Email (optional) Biometric info: ⇒ Ten Fingerprints, Two Iris Scans, and Facial Photograph.

⇒ Compulsory to link Aadhaar card with PAN by 31/3/2023. (later deadline shifted to 30/Jun/2023)

**there are more terms-conditions to it but we'll not do PhD.



22.23.2 🍌📄 PAN 2.0 & TAN 2.0 (2024)

- 1972: PAN system introduced.
- TAN (Tax Deduction and Collection Account Number) required for TDS/TCS collection.
- Old PAN/TAN cardholders needn't apply for PAN 2.0.
- Income-tax Act imposes Rs. 10,000 penalty for non-obtaining PAN, quoting incorrect PAN, or keeping multiple PAN numbers for same person.

🤖 Before	🤖 After 2024 Reform
PAN-related services are currently hosted on three different portals (e-Filing Portal, UTIITSL Portal and Protean e-Gov Portal).	A single portal for all PAN/TAN-related services
Paper-application form	digital / paperless application form
person had to pay registration fee for PAN	Free registration. Govt will email Digital PAN (e-PAN) to you for free. But if you want to printed card delivered → have to ₹50/more depending on location
not present	A dedicated call centre and helpdesk
not present	PAN 2.0 cards will have QR code. When QR scanned, it will display the holder's photo, signature, name, parents' names, and date of birth in the mobile app.

22.24 🍌🛒🤖 GST: BENEFITS (लाभ)

- ✓ GST covers both goods and services, with standard rates, minimal number of cess/surcharges. (सामान्य दर, बहुत कम चीजों पर उपकर/अधिभार लगता है।)
- ✓ GST online portal and e-way bill system reduces the interface between tax-officials and the assesses, thereby reducing the scope of harassment, bribery and Inspector Raj. (=Ease of doing business) (उत्पीड़न, रिश्तखोरी में कमी → व्यापार में सुगमता बढ़ी).
- ✓ GST provides input credits to suppliers thereby incentivize them to sell with invoice at every stage. Thus, GST will expand our tax collection, and deter tax evasion. (इनपुट क्रेडिट के लिए बिल बनाना जरूरी, इसलिए करचोरी मुश्किल)
- ✓ GST Input credit system ↓ the cascading effect of taxes, ↓ cost of manufacturing & selling, while its **anti profiteering** authority ensures that such benefits are passed on to the customers in the form of reduced MRP. (मुनाफाखोरी पर लगाम)
- ✓ Federal nations such as Canada and Australia shifted from VAT to GST regime. It helped **boosting their revenue, GDP and exports**. (कर राजस्व, जीडीपी, निर्यात में बढ़ोतरी)
- ✓ GST rates are uniform across the States so it reduces the scope for '**rate arbitrage**' (दर अपवंचन) i.e. buying from another state for profiteering, even if same item available in home state. (HOW? Watch Video)
- ✓ GST's ITC helps **Ancillarisation**, Subcontracting and Outsourcing. This helps in more job creation (How? Watch Video) (अनुषंगीकरण, उपठेका और आउटसोर्सिंग)



- ✓ Both CGST and SGST are **computed on the same base** (₹10,000), therefore tax burden on final consumer is less in GST regime, than in Excise-VAT regime. (How? Watch Video) (एक आधार पर केंद्र और राज्य के जीएसटी की गिनती से उपभोक्ता पर बोझ कम होता है)
- ✓ Thus, GST will help to create a unified **common national market** for India, & catalyse “**Make in India**”, and Assemble in India (More in Pillar#4B)

22.24.1 🍌 Revenue Neutral Rate of GST (राजस्व तटस्थ दर)

- Suppose a biscuit subjected to 18% Excise & VAT.
- when we shifted to GST, what should be the ideal rate of GST on biscuit, that does not cause hardship to the customer and does not cause loss of revenue for the government.
- Such % of GST, is called revenue neutral rate.
- According to Arvind Subramanian Committee (2015) RNR of GST should be 15.3%
- so has GST 2.0 achieved this status? Wait for the economic survey to make any comments. (GST की ऐसी दर, जो न तो ग्राहक पर ज्यादा बोझ डाले और न तो सरकार का की राजस्व आदमनी को कम करे।)

22.24.2 🍌🛒👨‍👩‍👧‍👦🚢 GST Benefit: Zero Rated Exports (शून्य रेटेड निर्यात)

- When company buys raw material or intermediate goods it will have to pay GST but if final product is exported outside India, it'll be subjected to 0% IGST.
- So, whatever GST the company had paid on the inputs, all of that will become its “Input Tax Credit” (and company can use this ITC to pay for the taxes on the purchase of raw material and intermediate goods in the next time), thus reducing its cost of production. (उत्पाद खर्च में कमी)
- This will improve price competitiveness of Indian products in foreign markets. (विदेशी बाजार में भारत का सामान किफायती बनता है)
- Australia and other GST countries also follow similar “zero rated export” regime.

? MCQ. Most likely advantages of implementing GST? (Asked in UPSC-Pre-2017)

1. It will replace multiple taxes collected by multiple authorities thus create a single market in India.
2. It will drastically reduce ‘Current Account Deficit’ of India and will enable it to increase its foreign exchange reserves.
3. It will enormously increase the growth and size of Indian economy of India & will enable it to overtake China in the near future.

Codes: (a) 1 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

22.25 🇮🇳👮♀️ GST: EASE OF DOING BIZ (EOD): DECRIMINALISATION

2023 budget, FM announced “we’ve done this for giving ease of doing business to the traders”. (व्यापार में सुगमता के लिए हमने कुछ अपराधों को फ़ौजदारी कार्यवाही की श्रेणी से बाहर किया है)

22.25.1 🇮🇳👮♀️ GST-EoD: criminal prosecution threshold (numbers not imp)

MINIMUM AMOUNT OF TAX EVADED	😬 BEFORE	😄 AFTER
Sr1] Generating fake invoices to claim ITC	Rs.1 crore tax evasion	Rs.1 crore tax evasion
Sr2] offenses other than Sr.1	Rs.1 crore tax evasion	Rs.2 crore tax evasion



If the tax evasion amount is less than above limits → no criminal prosecution / jail. Simply penalty only. (करचोरी उक्त मात्रा से कम है, तो आपराधिक मुकदमा नहीं चलेगा। जेल नहीं होगी। सिर्फ जुर्माना लगेगा।)

22.25.2 🇮🇳👮♀ GST-EoD: obstructing officers

🤔 BEFORE	😊 AFTER
obstructing or preventing any officer in discharge of his duties, tempering evidence and failure to supply information = criminal offense.	it is decriminalized = No jail. Only penalty.

(जीएसटी के अफसरों के कार्य में बाधा डालना, सबूतों से छेड़छाड़ करना, जानकारी ना देना इत्यादि मामलों में जेल नहीं। मात्र जुर्माना)

22.26 🍏🛒😓 GST: CHALLENGES FOR MAINS (चुनौतियां)

shifted to Mains handout.

Handout: [2A) ✅ Direct & Indirect Taxes [2B) Black Money, 15th Finance Commission
[2C) Subsidies to Disinvestment [2D) Fiscal Deficit, FRBM, Budgeting & scheme types



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23 🍌 (👤👤👤👤👤) TAXATION → FINANCE COMMISSION

23.1 INTRODUCTION TO FINANCE COMMISSION (वित्त आयोग)

- Fiscal Federalism refers to the division of responsibilities of i) taxation and ii) expenditure between the different levels of the government. (राजकोषीय संघवाद: केंद्र और राज्यों के बीच कराधान और खर्च की जिम्मेदारियों का आवंटन/बटवारा/विभाजन)
- While the 7th schedule assigns many responsibilities to the States but their taxation power is relatively lower than Union's. So, Finance Commission plays a key role in transferring union's revenue resources to the state.. (राज्य की कराधान शक्तियां कम हैं इसलिए वित्त आयोग केंद्र के करो से हिस्सा दिलाता है)
- **Article 280:** President of India forms a Finance Commission (a quasi-judicial body) every 5th Year or earlier, with 1 chairman and 4 members. Eligible for re-appointment. Recommendations are not binding on the government but usually not rejected.

📖 Further self-study & HINDI TERMS@ M.Laxmikanth's Indian Polity ch.45. or Unacademy Notes.

23.2 👤♂ (🍌👤👤👤👤) 15TH VS 16TH FC - MEMBERSHIP

Matter	15th FC	16th FC
Chairman	IAS N. K. Singh	Economist Dr.Arvind Panagariya, former Vice-Chairman of NITI Aayog
Full Time Member	1. Dr.Anoop Singh, Economist 2. Dr. Ashok Lahiri (Bandhan Bank) 3. IAS Ajay Narayan Jha	1. Mrs. Annie George Mathew from Indian Audit and Accounts Service (IA & AS) 2. Dr. Manoj Panda



Matter	15th FC	16th FC
Part Time Member	Prof.Dr. Ramesh Chand (Agri-Economist)	1. Dr. Soumya Kanti Ghosh (Economist in SBI) 2. Mr T Rabi Sankar (RBI Dy. Gov)
Member secretary	IAS Arvind Mehta	IAS Ritvik Pandey (सदस्य सचिव)
Resigned from membership	None	1) Dr. Niranjana Rajadhyaksha 2) Ajay Narayan Jha

23.2.1 🧑 15th vs 16th FC - timelines

Matter	15th FC	16th FC
Formed in	2017-Nov	2023-Nov
Report covering	6 years (1) Interim Report: 2020–21 (2) Final Report: 2021–22 to 2025–26: ending on 31/Mar/2026. Two reports bcoz JK removed from full-state list / Art370. so they needed more time to study.	5 years starting from 1/April/2026 (2026-31)
Deadline to submit	Not imp.	31/Oct/2025.

23.2.2 🧑 FC not setup 'every five years' in reality

- FC normally takes about two years to study the situation and make their recommendations.
- Article 280(1): FC is to be constituted every fifth year or earlier.
- But in reality sometimes it is not done every five years: e.g.

FC	Formed in	Comment	Report Covered
10th FC	1992		1995–00 (5 yrs)
11th FC	1998	gap of 6 years between 10FC-11FC.	2000–05 (5 yrs)
15th FC	2017		6 yrs via two reports.
16th FC	2023	gap of 6 years between 15FC-16FC.	2026–31 (5 yrs)

23.3 🧑 15TH VS 16TH FC - TERMS OF REFERENCE (TOR: विचारार्थ विषय)?

President of India has ordered them to study and recommend following:

15th FC	16th FC
1. Union Taxes' vertical devolution to the states, and its horizontal distribution among the states. (except cess, surcharge and IGST). 2. Union's grant-in-aids to the states. (केंद्र द्वारा राज्यों को अनुदान) 3. How to augment State Govts' Consolidated funds to help their Panchayats	Same as 15th FC



15th FC	16th FC
and Municipalities	
4. Give suggestion for disaster management funds	
Reward the States for controlling population, improving tax collection etc. ✅ Ans. Yes done. Observe the horizontal devolution formula parameters.	😞 N/A. Silent on it. (मौन है)
propose performance based incentives/grants for States. Ans. ✅ Yes it is done.	😞 N/A. Silent on it.
should we give less money to States, bcoz Union ke Kharche (expenses) bahut hai for defence, internal security, infrastructure, railways, climate change, and Union also has to run UTs without legislature? ✅ Ans. Yes that's why reduced from 42% (14th FC) to 41% (15 FC) saying union has to run UT of JK & Ladakh.	😞 Silent / Not mentioned.
Keep in mind the national development programme including New India – 2022 (e.g. Modi's Swatchch Bharat Mission, Digital India Mission etc.). ✅ Ans. Yes, that's why gave some conditional/ tied up grants for water/sanitation. 🤔 Non-BJP states didn't like this, bcoz they feel FC grants is their constitutional right, and not alm (यह पैसा हमारा संवैधानिक अधिकार है, कोई खैरात नहीं है जो आप चुनावी विचारधारा के हिसाब से जोड़ रहे हो- ऐसा विपक्ष राज्य सरकारों का कहना था).	😞 Silent / Not mentioned. (मौन है या उल्लेख नहीं है)
Use Census-2011 data while making formulas. (जनगणना) . This was criticized by Southern States bcoz they feared they'd get less ₹ compared to Northern States because Southern states controlled their population.	😞 Silent / Not mentioned.
Recommend measures for Fiscal Discipline/Consolidation for the Union and State governments. (राजकोषीय अनुशासन/समेकन) e.g. asking State governments to stop populist schemes like Free TV/Mixer Grinder/Free electricity to voters. (लोकलुभावन योजनाएं) ✅ Ans. While 15th FC Chairman NK Singh as spoken against the Revdi-culture, but no hardcore % or formula type recommendation given.	😞 Silent / Not mentioned.
suggest ways for allocation of non-lapsable funds for defence and internal security. (रक्षा और आंतरिक सुरक्षा बिनव्यपगत निधि)	😞 Silent / Not mentioned.
Award for the UT of J&K. (This terms of reference required under Jammu and Kashmir Reorganisation Act, 2019. जम्मू कश्मीर पुनर्गठन अधिनियम)	😞 Silent / Not mentioned.

23.4 🍌 [👤👤👤(👤👤👤👤♀👤)] FC: VERTICAL TAX DEVOLUTION FROM UNION TO STATES

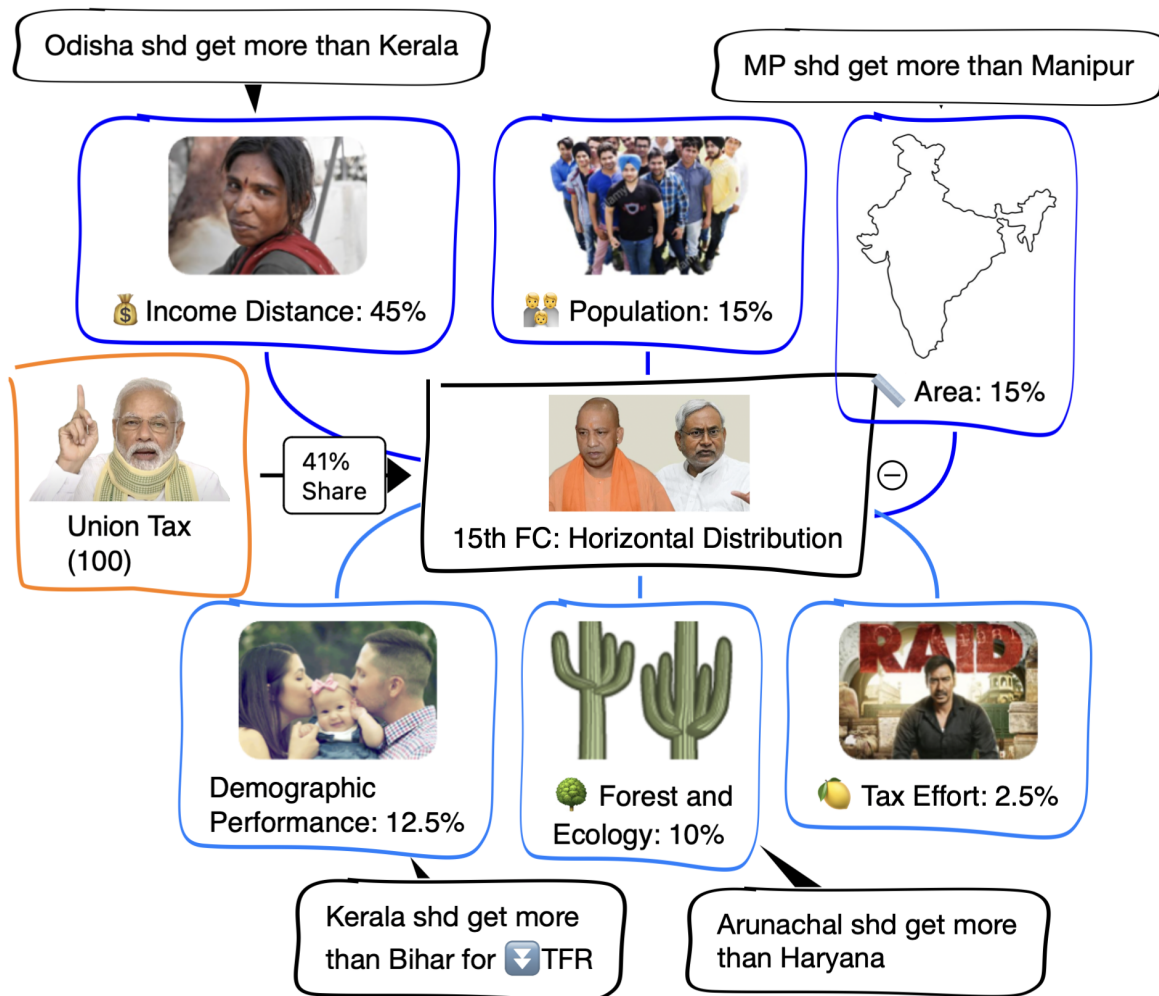
Finance Commission recommends the vertical devolution (ऊर्ध्वाधर कर अंतरण) from the 'divisible pool' of union taxes. (Here IGST, Cess, Surcharge not counted.)



FC → वित्त आयोग	12th (2005-10)	13th (2010-15)	14th (2015-20)	15th (2020-21) & 21-26
Chairman? (अध्यक्ष)	C.Rangarajan	Vijay Kelkar	VY Reddy	NK Singh
States Share	30.5%	32%	42%	41%*

- *15th FC's justification: Compared to 14th FC, 1% extra Union should keep for UTs of J&K & Ladakh's security & other needs.
- Sometimes finance minister says "States, along with Ladakh, J&K be given 42% share from Union tax for 2021-2025" Although UT of J&K & Ladakh= to get 1%, so in reality other states getting $42-1=41\%$."

23.5 🍌 [👤🏛️👤] HORIZONTAL TAX DEVOLUTION AMONG STATES



राज्यों के बीच समस्तरीय/क्षैतिज करअंतरण



15th FC horizontal distribution formula components (चटक) → (भारांक%) (both in Report#1 and Report#2)	Weight%
Income Distance (आय में अंतर): ⇒ State GSDP divided by its Population = per capita GSDP. ⇒ For most states, Haryana's per capita GSDP is taken as benchmark. How poorer is your state compared to Haryana= more ₹ you'll get.**	45%
Area (क्षेत्रफल) More area = more ₹	15%
Population (as per Census-2011: आबादी): More population = more ₹	15%
Demographic Performance (जनसांख्यिकीय निष्पादन): States that have ↓ Total Fertility Rate (TFR: कुल प्रजनन दर), will get ↑ ₹. More in Pill#6	12.5%
Forest and Ecology (वन एवं पारिस्थिकी): More forest= more ₹	10%
Tax Effort (कर प्रयास) : States who've improved their per capita (State) tax collection in the last 3 years = get more ₹	2.5%
Total (कुल)	100%

** Note: computing income distance: the Highest per capita GSDP: 1) Goa 2) Sikkim 3) Haryana 4) Himachal.

But since Goa, Sikkim are very small states with a unique economic situation, so it'll distort statistical formula. So, there are some internal fine tunings done in formula. Long story cut short: Haryana taken as benchmark for most states. You may spend waste time in PHD-reading of the original report@ <https://fincomindia.nic.in/>

MCQ. For the horizontal tax devolution, the Fifteenth Finance Commission used how many of the above as criteria other than population area and income distance? (Prelims-2023)

1. Demographic performance
2. Forest and ecology
3. Governance reforms
4. Stable government
5. Tax and fiscal efforts.

Codes: (a) Only two (b) Only three (c) Only four (d) All five

23.5.1 [👤👤👤👤👤] **15th FC: Horizontal devolution: States' share**

Table 1: Try to remember 3-5 names in top & bottom each, & your home state for UPSC Interview.

1) Uttar Pradesh (17.931%)	11) Chhattisgarh (3.418%)	21) Himachal (0.799%)
2) Bihar (10.061%)	12) Gujarat (3.398%)	22) Meghalaya (0.765%)
3) MP (7.886%)	13) Jharkhand (3.313%)	23) Manipur (0.718%)
4) W. Bengal (7.519%)	14) Assam (3.131%)	24) Tripura (0.709%)
5) Maharashtra (6.135%)	15) Telangana (2.133%)	25) Nagaland (0.573%)
6) Rajasthan (5.979%)	16) Kerala (1.943%)	26) Mizoram (0.506%)
7) Odisha (4.629%)	17) Punjab (1.788%)	27) Sikkim (0.388%)
8) Tamil Nadu (4.189%)	18) Arunachal (1.76%)	28) Goa (0.386%)
9) Andhra (4.111%)	19) Uttarakhand (1.104%)	ANY type of UT = 0% here
10) Karnataka (3.646%)	20) Haryana (1.082%)	

23.5.2 🍌 **14th Finance Commission- Horizontal formula**

Finance Commission also gives formula for How to distribute that share horizontally with individual States (Guj | Bihar | MH | TN...). 14th FC (YV Reddy)'s formula was...

Based on above formula, Highest to Lowest was: Uttar Pradesh > Bihar > MP > WB > MH > Raj> > Mizoram > Goa > Sikkim.

1. 15th FC used fiscal effort as a criterion for horizontal devolution unlike the 14th FC.
2. Both the 14th & 15th FC used pre- 2011 demographic variables as a criteria for horizontal devolution. **Codes:** (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

23.5.3 Finance Commissions & the fate of UTs of J&K & Ladakh

➤ But this practice stopped since 11th finance commission i.e. Finance ministry itself decides how much revenue will be shared with **Union Territories** based on its own discretion (केंद्रशासित प्रदेशों को कितने पैसा देना है= केंद्र सरकार अपने विवेक से तय करता है. वित्त आयोग इस में बोल नहीं सकता).

- Finance Commission no longer prescribed formula in this regard. But,

- **31st October 2019:** The state of Jammu Kashmir was officially split into the union territories of Jammu and Kashmir and union territory of Ladakh.

- Jammu and Kashmir Reorganization Act, 2019 mandates that:

- Whatever amount the former state of J&K was supposed to receive between 31/10/2019 to 31/3/2020 (as per 14th FC formula) ...It will be distributed between these two new union territories on the basis of population ratio and other parameters.
- President of India shall require 15th FC to make award for UT of J&K.
- But, 15th FC report, no separate share is given in verticle / horizontal tax devolutions. Simply 1% extra kept with Union to look after J&K & Ladakh, compared to 14th FC.

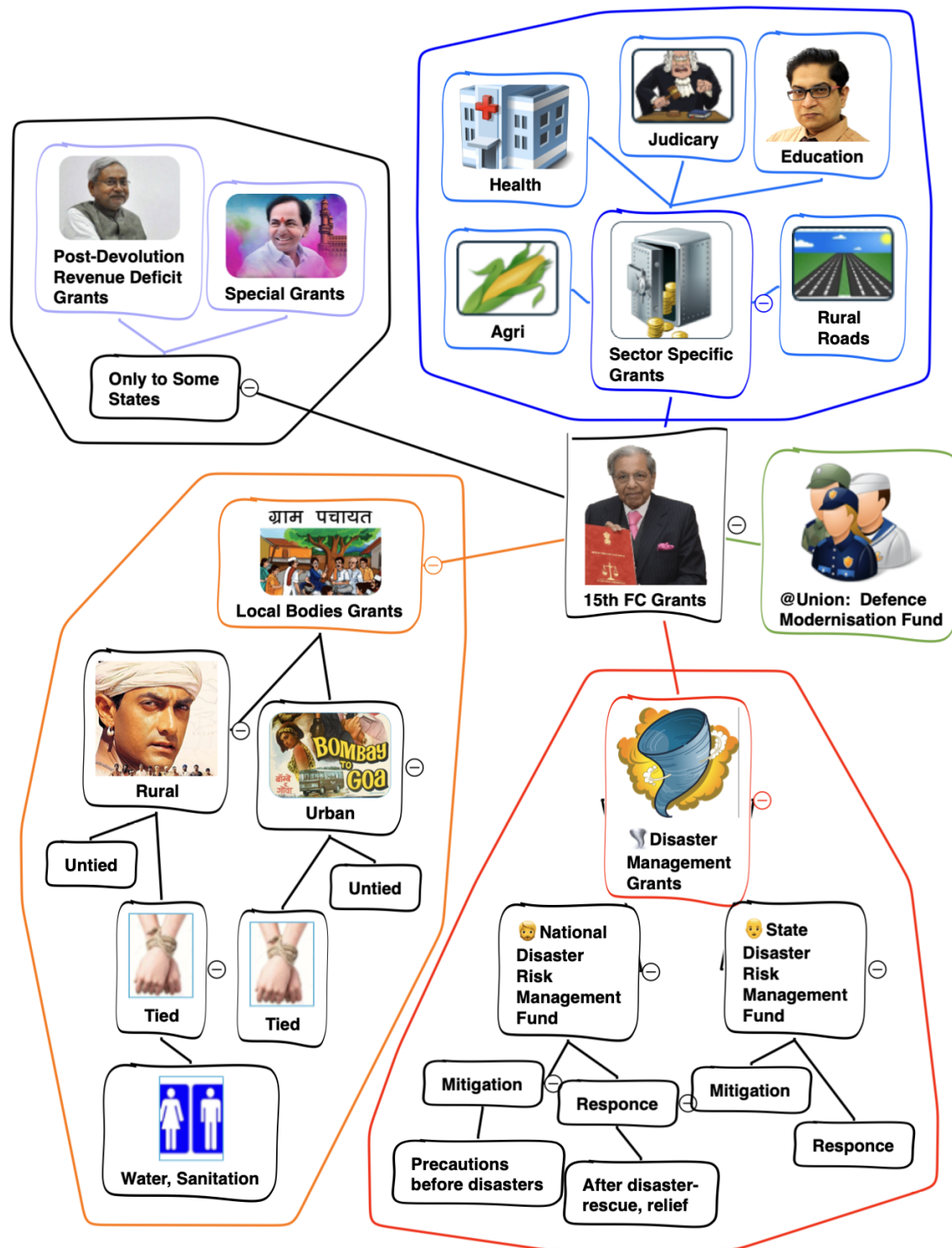
23.5.4  →   ( ) Grants from Union to States : 14th FC

Apart from the tax devolution, FC would also suggest Union to give grant to the states (grant= NOT loan, so need not return with interest). (अनुदान= मतलब राज्य सरकार ने वो पैसा केंद्र को वापस नहीं करना)

14th FC suggested following types of grants→



1. **For All States:** Grants for Panchayati Raj Institutions (PRI) and Urban Local Bodies (ULB) are subdivided into two parts (पंचायती राज व शहरी स्थानीय निकायों के लिए अनुदान दो हिस्सों में विभाजित)
 - a. basic grant (प्राथमिक) and
 - b. (10-20%) performance based grants.(प्रदर्शन आधारित)
2. **For All States:** Disaster Management Grants. (आपदा प्रबंधन अनुदान)
3. **For 14 States:** Post-Devolution Revenue Deficit Grants. (अंतरण-पश्च राजस्व घाटा अनुदान)





23.5.5 🧑 → 🧑🧑 (🧑🧑🧑) Grants from Union to States : 15th FC

15th FC suggested following types of grants → Numbers NOT GREATLY IMPORTANT

	Type	Report#2 (2021-26)
1	🧑🧑🧑 Local Bodies Grants (स्थानीय निकाय अनुदान)	A) 2.##Lcr Rural B) 1.##Lcr Urban =total 4.36Lcr
2	🧑🧑🧑 ♂ Post-Devolution Revenue Deficit Grants	2.94 Lcr
3	🧑🧑🧑 Disaster Management Grants (आपदा प्रबंधन अनुदान)	A) 68 kcr in Union ke Disaster funds B) 1.22 Lcr in State ke Disaster funds
4	🧑🧑🧑 Sector Specific Grants: (क्षेत्र-विशिष्ट अनुदान) with 🧑🧑🧑 Performance-based incentives (निष्पादन-आधारित प्रोत्साहन)	>1 lakh crore for (Sectoral grants Health, Education, agricultural reforms, rural roads, Judiciary, Statistics, Aspirational districts)
6	🧑🧑🧑 State specific grants for tourism, historical monuments, infrastructure, water etc.	49599 cr.
7	🧑🧑🧑 Special Grants: (विशेष अनुदान)	N/A
8	Union Govt ke liye Defense and Internal Security Fund	2.38 Lcr
	Total	>10 lakh Cr

23.5.6 🧑🧑🧑 ♂ Post-Devolution Revenue Deficit Grants (अंतरण-पश्च राजस्व घाटा अनुदान)



Figure 1: हमको और पैसा दो, हमारे राजस्व घाटे की भरपाई के लिए!

Suppose (amt in ₹cr)	2020-21
Andhra's own State Budget:	(-) 41 kcr
Revenue Expenditure -minus Revenue Income = Revenue Deficit (राजस्व घाटा)	
Andhra's share from Union's taxes based on horizontal devolution	(+) 35 kcr
Andhra's Post-Devolution Revenue Deficit =	41-35=6 kcr.

So 15th FC will give Andhra extra 6 kcr as Post-Devolution Revenue Deficit Grant (अंतरण-पश्च राजस्व घाटा अनुदान). **Only 14 states eligible:** Assam, Himachal Pradesh, Manipur, Meghalaya, etc eligible. (Full list of all 14 States Not important)

🔴🧑 **FAQ:** Give me full list of all 14 States? Ans. I'd not loose sleep over it. Satisfy your PHD curiosity with Page 297 here [in this official report](#)

🔴🧑 **FAQ:** On above logic/formula, wouldn't a careless state govt spend truckload of money by borrowing from market? Ans. REF: Pillar2D: FRBM Act.



23.5.7 🍌🍌🍌 15th FC: Special Grants: (विशेष अनुदान)

Report#1 (2020-21)

- ⇒ If a state receives less ₹ in (15th FC's devolution + post revenue deficit grants) in 2020-21 compared to 2019-20 (when 14th FC Rangarajan's formula was in effect),
- ⇒ Then such State will get Special Grants just to prevent any 'feeling of injustice / bias' (अगर 14वें वित्त आयोग की अपेक्षा 15में कम मिल रहा हो तो अन्याय / पक्षपात के आरोप से बचने के लिए उन राज्यों को विशेष अनुदान)
- ⇒ Only 3 states eligible: Karnataka, Telangana and Mizoram. Total ₹6,764 cr for 2020-21

Report#2 (2021-26)

- No such grant announced. (ऐसा कोई विशेष अनुदान नहीं दिया गया)

23.5.8 🍌🍌🍌 15th FC: Local Bodies Grants (स्थानीय निकाय अनुदान)

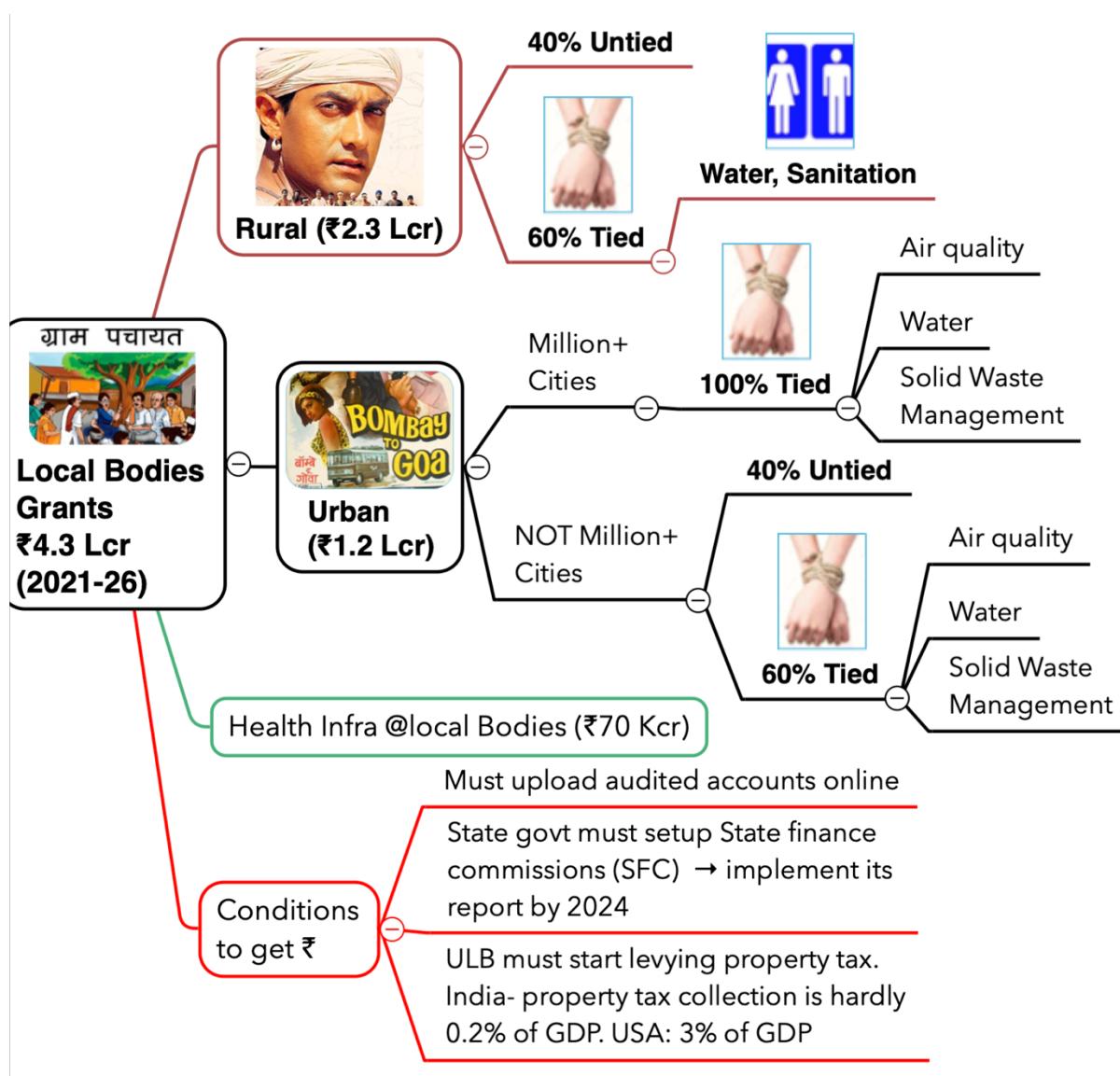


Figure 2: img source: Lagaan Movie starring Amir Khan



23.5.9 🍌🍌🍌🍌🍌 15th FC: Disaster Management Grants (आपदा प्रबंधन अनुदानः)

Disaster Management Act, 2005 → Ministry of Home Affairs (गृह मंत्रालय) looks after the subject.

15 th FC: recommend सिफारिशे	🧑🏻 National Disaster Risk Management Fund (NDRMF: एनडीआरएमएफ/राष्ट्रीय आपदा जोखिम प्रबंधन कोष)	🧑🏻 State Disaster Risk Management Fund **
Internal distribution आंतरिक वितरण	⇒ 80% amt for National Disaster Response Fund (NDRF: एनडीआरएमएफ/राष्ट्रीय आपदा सहायता कोष) ⇒ 20% amt for National Disaster Mitigation Funds (NDMF: एनडीएमएफ/राष्ट्रीय आपदा प्रशमन कोष)	Same pattern, change word from National to 'State'

**Notes on State Disaster Risk Management Fund:

- How much will an individual state get? Ans= depends on its past disasters, risk exposure (area & population wise) etc. आपके राज्य में आपदा का जोखिम कितना है उस हिसाब से कम / ज्यादा पैसा मिले
- Respective State Govt is also required to contribute some money in SDRMF.

23.5.10 🍌🍌🍌🍌🍌 15th FC: Sector Specific Grants (क्षेत्र-विशिष्ट अनुदान)-Malnutrition

- Report#1 (2020-21): 15th FC only recommended health → Nutrition grant (₹7700+ cr पोषण अनुदान) to combat malnutrition (कुपोषण). Ministry of Women and Child Development (MoWCD): महिला बाल विकास मंत्रालय will oversee its utilization.
- Report#2 (2021-26): no special mention of Malnutrition grants. But, related to health are given below in the following table:

23.5.11 🍌🍌🍌🍌🍌 15th FC: Sector Specific Grants (क्षेत्र-विशिष्ट अनुदान)-Health

Type	Report#2: (2021-26)	Amount
Sectoral Grant → Healthcare @Local Bodies पंचायती राज/नगरपालिकाओं को प्राथमिक स्वास्थ्य केंद्र को स्वास्थ्य और कल्याण केंद्र में परिवर्तित करने के लिए टुक भर के पैसा	(Rural and urban) Local Bodies given ₹₹ to convert Primary Health centres (PHC) into health and wellness centres (HWCs)	70kcr
Sectoral Grant → Health नाज़ुक देखभाल के अस्पतालों को बनाने के लिए पैसा	Critical Care hospitals i.e. facilities with Intensive Care Unit (ICU) ventilator, kidney dialysis etc.	15kcr
Sectoral Grant → Health चिकित्सा संलग्न मानव बल की तालीम के लिए पैसे	Training of Allied Healthcare workforce (lab technicians, radiographers, dieticians, Physiotherapist, ASHA Worker etc)	13kcr
Sectoral Grant → Health जिले के अस्पतालों में डॉक्टरी तालीम के कोर्स करवाने के लिए पैसा	State government to run Doctor training courses in district hospital	2kcr
कुल मिलाकर	Total: 70kcr to local bodies + 30kcr as Sectoral Grants = 1.06 Lakh cr.	1.06 Lcr.

** Healthcare sector Grants are unconditional i.e. not based on performance of a State Govt.



Additional Recommendations by 15th FC on Healthcare

- ⇒ Union and State Government together should spend 2.5% of GDP on Healthcare sector by 2025.
(केंद्र और राज्य सरकार ने मिलकर स्वास्थ्य क्षेत्र में सार्वजनिक खर्च को बढ़ाकर जीडीपी के ढाई प्रतिशत तक करना चाहिए)
- ⇒ All-India Services Act, 1951: (presently we've IAS, IPS, Indian Forest Service) → make 4th All India service: "All India Medical and Health Service" → UPSC to conduct recruitment. This will help addressing the shortage of doctor in backward states. आईएस/आईपीएस की तर्ज पर एक और अखिल भारतीय सेवा बनाई जाए "अखिल भारतीय चिकित्सा एवं स्वास्थ्य सेवा" ताकि पिछड़े राज्यों में डॉक्टरों की कमी को पूरा किया जा सके
- ⇒ Most of the medical colleges and super-speciality hospitals (e.g. Cancer) are concentrated in the Western and Southern parts of India. Union and State government should make efforts to address this. (पश्चिमी/दक्षिणी राज्यों के अलावा वाले विस्तार में भी अच्छी मेडिकल कॉलेज/अस्पताल बनाने पर जोर दिया जाए)

MCQ. Find correct about 15th FC? (CAPF-25)

1. Basic (untied) grants can be used by rural local bodies for location- specific felt needs under the 29 subjects enshrined in the Eleventh Schedule of the Constitution of India except for salaries and other establishment costs.
 2. Tied grants can be used for basic services of sanitation and maintenance of ODF status, management and treatment of household waste and human excreta.
 3. It recommended 'Health Grants' to create diagnostic infrastructure in primary health care facilities.
- Codes: (a) 1 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

Note: This same Q also asked in EPFO'2023.

23.5.12 15th FC: Sector Specific Grants (क्षेत्र-विशिष्ट अनुदान)- Others(अन्य)

	Report#2: (2021-26)	Amount
कृषि क्षेत्र में सुधारों के लिए - नीति आयोग द्वारा प्रस्तावित कानूनों को पारित करना, भूजल संवर्धन, तिलहन दाल लकड़ी उत्पादों को प्रोत्साहन, कृषि निर्यात को बढ़ोतरी	Implementation of agricultural reforms e.g. Passing the agricultural formula suggested by Niti Aayog, Groundwater conservation, Improving Oilseed pulses wood products, agricultural export, (Ref: HDT-Pillar#4A)	45kcr
ग्रामीण सड़कों की मरम्मत	Maintenance of PMGSY roads (Pradhanmantri Gram Sadak Yojana) (Ref: HDT-Pillar#5-Transport Infrastructure)	27 kcr
न्यायिक सुधार - अतिरिक्त न्यायालय और जजों की नियुक्ति के लिए पैसा- जिसे 5 साल या उससे अधिक विलंबित संपत्तियों के मामलों का निपटारा, बच्चों के यौन शोषण, गंभीर अपराध के मामलों का जल्दी निपटारा	Judiciary: ₹ for Setting of extra courts and judges to finish the the property cases which are pending for 5 years or older, Civil cases of marginalized people, POSCO cases (child sex abuse) & heinous crimes	10 kcr
उच्च शिक्षा में ऑनलाइन पढ़ाई की व्यवस्था तथा चिकित्सा और इंजीनियरिंग के कोर्स को प्रादेशिक भाषा में अनुवादित करने के लिए	Higher Education-For 1) developing online learning 2) translating medical engineering courses in regional languages	6 kcr
स्कूली शिक्षा	School Education	4.8 kcr
सांख्यिकी/डेटा संग्रह	Statistics/Data collection	>1000 cr



These grants also include internal quota for performance based incentives i.e. Better performing States will be given additional money. (इन सभी अनुदान में कुछ अंदरूनी/आंतरिक कोटा होता है, जिसमें अधिक अच्छा प्रदर्शन करने वाले राज्यों को अधिक रकम मिल सके)

MCQ. Find correct about 15th FC (Pre'25)

I. It has recommended grants of ₹ 4,800 crores from the year 2022-23 to the year 2025-26 for incentivizing States to enhance educational outcomes.

II. **45% of the net** proceeds of Union taxes are to be shared with States.

III. ₹ 45,000 crores as performance-based incentive for all States for agricultural reforms.

IV. It reintroduced tax effort criteria to reward fiscal performance.

Codes: (a) I, II and III (b) I, II and IV (c) I, III and IV (d) II, III and IV

Hint: st2 is wrong. It's 41% and not 45%. so immediately by eliminating you can arrive at the correct answer effortlessly. Yet, some **Nobita-type-rotlu-babushone** crying ke too much GK and data-sets asked in Economy in Pre'25. Bhai 15thFC=41% is the essential GK! Every UPSC Aspirant is supposed to know and remember! तुमसे इतना भी नहीं होता, तो मत दो परीक्षा!

23.5.13 Defence and Internal Security Fund for Union

For whom?	Union Government (केंद्र सरकार के लिए)
Where?	Public Account of India → Modernisation Fund for Defence and Internal Security (MFDIS: लोक लेखा निधि के अंतर्गत रक्षा तथा आंतरिक सुरक्षा के नवीनीकरण/आधुनिकीकरण के लिए कोष या निधि).
Type	Non-lapsable Fund (The money in such fund will not lapse on 31st March, so it can be used in future without getting another approval from parliament.) बिनव्यपगत निधि
Amount	₹ 2.38 Lcr (total for 2021-26)

23.6 () FC: GIVING PERMANENT STATUS (स्थायी दर्जा देना)

Shifted to Mains Handout.

23.7 FC vs PC vs NITI: WHAT'S THE DIFFERENCE?



Finance Commission (FC)	Planning Commission (PC) योजना आयोग	NITI Aayog National Institution for Transforming India
Constitutional body	Created by executive resolution, so neither constitutional non statutory. Both headed by Prime Minister as the chairman.	
1951: 1st FC setup under KC Neogy	- 1951: PC set up and over the years designed 12 Five Year plans	- 2015: Formed. - Three Year Action Agenda



Finance Commission (FC)	Planning Commission (PC) योजना आयोग	NITI Aayog National Institution for Transforming India
	(12th FYP: 2012-2017) - 2014: Dissolved by Modi Government.	(2017-20). - Seven Year Strategy Document. - Fifteen Year Vision Document(2017-32).
- Taxes' Vertical Devolution and horizontal distribution among states. - + any other matters referred by the President in TOR - Each Finance Commission arrived at its own methodology. E.g. 14th FC: 42% vertical, and 5 factor formula for horizontal distribution.	1. How much money should union give to each state for implementation of Union's centrally sponsored schemes (CSS)? 2. How much money should union government give to the five year plans of the state governments? To answer these Qs, PC would use Gadgil Mukherjee formula (designed in 8TH FYP)- based on population, per capita income, special problems etc. of a state.	It is not in its scope of work to decide how much money should be given to each state. That component is decided by the Finance Ministry. - NITI's primary objective is to serve as the think tank of the Government of India, - Helps in policy design. - Helps in monitoring schemes' through its dashboard e.g. 'School Education Quality Index', 'SDG India Index', 'Digital Transformation Index'

< More about Planning Commission and NITI Aayog in Pillar#4 >

MCQ. In India, which of the following review(s) the independent regulators in sectors like telecommunications, insurance, electricity etc. ? (UPSC Prelims-2019)

1. Ad Hoc Committees set up by the Parliament.
2. Parliamentary Department Related Standing Committees
3. Finance Commission (4) Financial Sector Legislative Reforms Commission (5) NITI Aayog

Answer Codes: (a) 1 and 2 (b) 1 , 3 and 4 (c) 3, 4 and 5 (d) 2 and 5

23.8 **SPECIAL CATEGORY STATES? विशेष श्रेणी के राज्य?**



Figure 3: हमारा राज्य गरीब है, इसलिए हमें विकास के लिए केंद्र सरकार ने अलग से ढेर सारा पैसा देना चाहिए.

- **1952:** The National Development Council (NDC: राष्ट्रीय विकास परिषद्) was set up, with PM, CMs and other representatives to approve FYP prepared by the Planning Commission.
- Although NDC became obsolete with establishment of NITI Aayog.(फूटा हुआ कारतूस बन चुका है)



- **1969:** 5th FC recommended giving extra ₹+ tax-relief to certain disadvantaged states. Over the years, NDC added more states into the Special Category List based on
 - ✓ (i) hilly and difficult terrain (पहाड़ी और कठिन भूभाग)
 - ✓ (ii) low population density and / or sizeable share of tribal population (कम जनसंख्या घनत्व और / या जनजातीय जनसंख्या का बड़ा हिस्सा)
 - ✓ (iii) strategic location along borders with neighbouring countries (पड़ोसी देशों के साथ सीमाओं के साथ रणनीतिक स्थान)
 - ✓ (iv) economic/infrastructural backwardness (आर्थिक/अवसंरचनात्मक पिछड़ेपन)
 - ✓ (v) non-viable nature of state finances. (राज्य वित्त की गैर-निहित प्रकृति।)
- Examples: 8 North Eastern states and 3 Himalayan States (JK, Uttarakhand, HP). Although, Post-370 removal, J&K is no longer in this list, after becoming a UT.
- **Telangana** granted a special cat. status after it was carved out of Andhra Pradesh in 2014 by PM Manmohan Singh/UPA.

23.8.1 🍌🍌 Benefits of Sp.Cat. States? (विशेष श्रेणी के राज्यों को क्या रियायते / लाभ मिलते हैं?)

- ✓ Industrialists will be given benefits in Union-taxes for setting up factories in these states. (उद्योगपति को फैक्ट्री लगाने पर कर में छूट/ रियायत- ताकि वह पिछड़े राज्य में जाने के लिए आकर्षित हो)
- ✓ Union bears higher burden in Centrally Sponsored Schemes (CSS) e.g 90:10 ratio: (केंद्र प्रायोजित योजनाएं में केंद्र सरकार अपनी जेब से ज्यादा अनुपात में पैसा देता)
- ✓ FC & PC would assign more weightage in their formulas to give them more funds.
- **14th FC:** Previous FC assigned extra weightage & funds to Sp.Cat states, but 14th FC stopped
- But, whenever elections are near, W.Bengal, Bihar and Andhra CMs would demand Sp.Cat. status & blame Union for 'injustice'. (चुनाव करीब हो- उस वक़्त कुछ राज्य नाइंसाफी की बात करते हैं)
- **15th FC:** Some States have requested special category status. But it's not part of our mandate/Terms of Reference. (वित्त आयोग के विचारार्थ विषयो मे ये है ही नहीं!)
- So, at present, Sp.Cat states don't get additional revenue/grants in FC's formula. Although, Union upon its own discretion continues to give them certain benefits in CSS. (वर्तमान वित्त आयोग, इन राज्यों को अलग से कोई पैसा नहीं देते। किंतु केंद्र सरकार स्वयं के विवेक से योजनाओं में ज्यादा पैसा दे सकती है।)

23.9 🍌🍌 VERTICAL FISCAL IMBALANCE- MEANING (ऊर्ध्वाधर राजकोषीय असंतुलन)

- A fiscal imbalance occurs when a government's future debt obligations don't align with its future revenues. (राजकोषीय असंतुलन जब भविष्य में जितना कर्ज़ चुकाना है, उसके अनुपात में आमदनी नहीं है।)
- A vertical fiscal imbalance occurs when income does not match expenditures for different government levels, i.e., Union, States, Local Bodies. (जब सरकार की अलग अलग स्तर पर आमदनी और खर्च के बीच असंतुलन हो तो ऊर्ध्वाधर राजकोषीय असंतुलन का निर्माण होता है।)
- It makes the States heavily dependent on the Union government for funds. (राज्यों की केंद्र पर निर्भरता बढ़ती है।)



23.9.1 🍏⚖️ Vertical Fiscal Imbalance : Factors Responsible

Union	States
N/A	Due to electoral reasons, most states do not impose taxes on agricultural income, even for large farmers. (चुनावों की चिंता में राज्य सरकार कृषि आय पर आयकर लेती नहीं।)
The Union earns over 20 lakh crore from direct taxes such as income tax and corporation tax. (आयकर और निगम कर जैसे प्रत्यक्ष करों से केंद्र सरकार मोटी रकम कमाता है।)	Constitution prohibits States from demanding more than Rs. 2500 as professional tax per year. (राज्यों के व्यावसायिक कर पे संवैधानिक मर्यादाएं हैं कि ढाई हजार रुपये से ज्यादा ले नहीं सकते।)
The Union earns over ₹ 2 lakh crore from customs duty on imports and exports.	States do not have this power. (आयात निर्यात पर सीमा शुल्क लगाने का हक केवल केन्द्र का है।)
Union's cess, surcharge not shared with the states. Over the years, the Union has created multiple cesses and surcharges to capture a significant chunk of revenue for itself. (केंद्र विविध उपकर और अधिभार में से राज्यों को हिस्सा नहीं देता।)	Problems related to the timely release of GST compensation cess by the Union. (जीएसटी मुआवजे के साथ विविध समस्याएं हैं।)

For more on this topic, refer to Mains-QEP handout.

23.10 🇮🇳 REPORT/RANKING RELATED TO STATES

23.10.1 🇮🇳 “Fiscal Health Index (FHI) of States” by NITI: Odisha is #1 (2025)

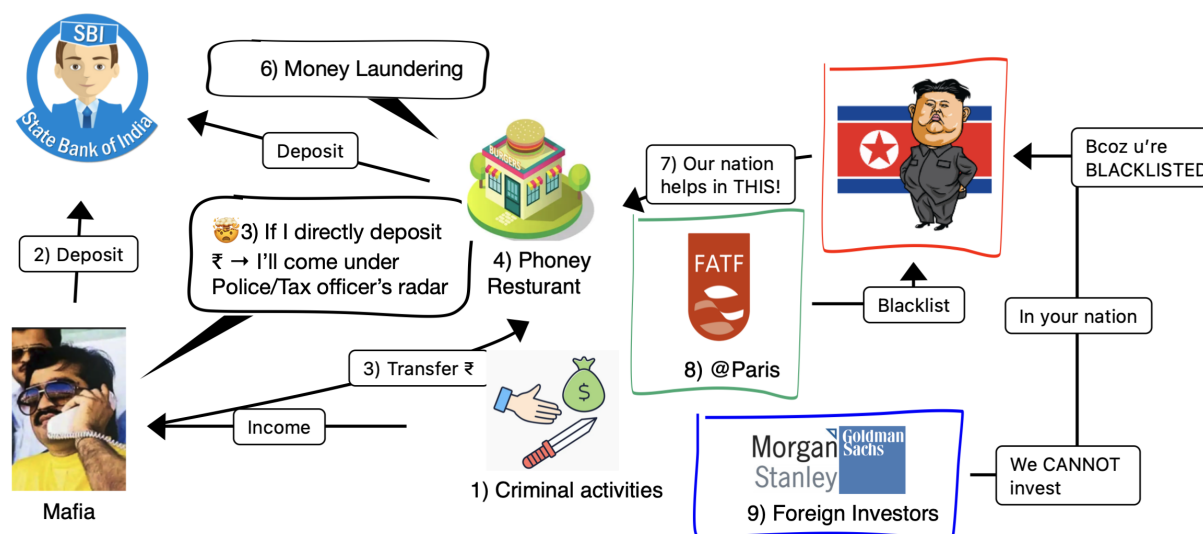
- Index started for the first time by Niti Aayog in 2025.
- Top-5 = Odisha, Chhattisgarh, Goa, Jharkhand, and Gujarat
- Bottom-5 (aspirational) = Haryana, Kerala, West Bengal, Andhra Pradesh, and Punjab.
- Ranking focuses on 5 indicators: 1. Quality of Expenditure 2. Revenue Mobilization 3. Fiscal Prudence 4. Debt Index 5. Debt Sustainability
- **Note:** UPSC asked a Q about this index, in Mains'25. We'll see it in Mains-ka-Course.

23.10.2 🇮🇳 Panchayats Devolution Index- Karnataka is #1 (2025)

- 73rd amendment requires State Governments to transfer money and powers to Panchayats.
- Since 2009, annual report/index made to monitor this progress.
- 2025-Feb Top Ranking: 1) Karnataka 2) Kerala 3) Tamil Nadu
- 6 indicators: (i) Framework, (ii) Functions, (iii) Finances, (iv) Functionaries, (v) Capacity Enhancement, (vi) Accountability
- **Boss?** 1) Released by Ministry of Panchayati Raj. 2) Data Calculation/Survey by Indian Institute of Public Administration (IIPA, HQ-Delhi). IIPA is an autonomous body under Personnel Ministry.

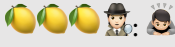


24 TAXATION → BLACK MONEY & ALLIED ISSUES



Tax Planning / Tax Mitigation (कर-नियोजन)	When person invests money in LIC/PPF/Pension funds etc.in such manner that he can claim various deductions legally available in the Income Tax Act. It's neither illegal nor unethical. (न ही अवैध और न ही अनैतिक)
Black Money (काला धन)	It is an income or transaction that is taxable yet NOT reported to the tax authorities concealed from the tax authority. कालाधन ऐसी आय/लेनदेन है जो की कर-पात्र है, किन्तु कर-अधिकारियों से छिपाई गई.
Parallel Economy	The economy that runs on black money. (समानांतर अर्थव्यवस्था जो काले धन पर चलती है)
Tax Evasion (कर अपवंचन कर-चोरी)	When person hides income or transaction from tax authorities, and thereby evades paying taxes. It's illegal. (कराधान योग्य आय या लेन देन को सरकार से छिपाना)
Tax Avoidance (कर परिहार कर-टालना)	When person discloses his income and transactions to tax authorities but uses legal loopholes to avoid paying taxes. E.g. Bollywood stars who register digital media companies in Tax Havens. It may not be illegal in every case, but still unethical. (कराधान योग्य आमदनी या लेनदेन को सरकार से छिपाना नहि, लेकिन क़ानून मे छिद्रों के इस्तेमाल द्वारा कर को टालना जाना।)
Tax Haven (कर स्वर्ग) एसा देश जहां कर टालने / छिपाने के लिए बहुत अवसर मिलते हैं	Is a country that demands little taxes from foreigners and offers legal loopholes for Tax Avoidance & opportunities for Tax Evasion. E.g. <i>Liechtenstein, Mauritius, Marshall Islands, Cayman Islands, Panama, Nauru, Vanuatu etc.</i> These countries are geographically small, & without viable economy. So they offer such mechanism to attract foreign investors and foreign tourists.
Money laundering (गैरकानूनी तरीके से प्राप्त धन को वैध बनाना)	⇒ When drug trafficking, ransom, corruption and other criminal activity generates substantial profits, the criminal tries to spend / invest / hide the money without attracting attention. ⇒ Money laundering (धनशोधन) is the process of disguising the source of money, as if it came from a legitimate activity, & then channelize it into



	banks, share market and other financial intermediaries.
Hawala गैर कानूनी रूप से एक जगह से दूसरी जगह पैसा भेजना	⇒ Hawala is an illegal money transfer / remittance system. Money is paid to an agent who instructs an associate in the relevant country or area to pay the final recipient. Although used by Indian workers in middle east because lower commission than post-office/bank transfers, + better network in remote villages
Shell firms, Post-box/ Letter-box companies	They do not have any active business operations. Created with sole objective of money laundering/tax evasion/avoidance E.g. Mishail Packers and Printers Pvt Ltd. allegedly setup by Misa Bharti Yadav to launder ₹1.2 crores (as per Enforcement Directorate). मात्र कर चोरी के लिए बनाई गई कंपनियां
Panama Papers (2016) Paradise Papers (2017) Mauritius papers (2018) Pandora Papers (2021)	International Consortium of Investigative Journalists is a USA based nonprofit organization: released these incriminating documents from certain law firms in tax havens & showed how big politicians, businessmen, sportsmen, filmstars have setup shell companies for tax evasion/avoidance across the world. Putin, Sachin, Ambani, Amitabh Bachchan & Aishwarya Rai also named in these papers. (पत्रकारों का एक वैश्विक संगठन जिन्होंने अलग अलग दस्तावेज़ जारी कर साबित किया- कैसे दुनिया के रसूखदार लोग फ़र्जी कंपनियां बनाकर कर चोरी करते हैं)
Tax Terrorism (कर आतंकवाद) 	- Happens when tax authorities put undue pressure on an honest taxpayer to pay more taxes. (ईमानदार करदाता पर टैक्स अधिकारी अनावश्यक दबाव / उत्पीड़न करे) - Critiques have used this word in context of Vodafone & Cairn cases.
TDS/TCS	Tax Deduction at Source (TDS) स्रोत पर कर कटौती Tax Collection at Source (TCS) स्रोत पर कर संग्रह These are the mechanism to discourage tax evasion. 📄 Ref:2A: IT Handout
PAN Card स्थायी खाता संख्याक	10 letters alphanumeric numbered assigned to all taxpayers in India by Income Tax Dept. 📄 Ref: 2A: GST Handout for more.

24.1 (🍋👤) BLACK MONEY → NOTABLE ORGANISATIONS

Enforcement Directorate (ED: प्रवर्तन निदेशालय) founded in '56, HQ: Delhi.	FinMin → Department of Revenue → ED is a Specialized financial investigation agency to enforce following laws 1. Foreign Exchange Management Act, 1999 (FEMA) 2. Prevention of Money Laundering Act, 2002 (PMLA) 3. Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 (COFE- POSA) to fight against smugglers.
Directorate of Revenue Intelligence	FinMin → Department of Revenue → CBIC → DRI is an agency to investigate Customs/Narcotics/Wildlife/Arms related smuggling & illegal activities under Customs Act, 1962. (DRI: राजस्व आसूचना निदेशालय)
Central Bureau of Narcotics (CBN)	Dept of Revenue → CBIC → CBN (HQ: Gwalior). Also called National Opium Agency. (1) It supervises opium/poppy cultivation in Madhya Pradesh, Uttar Pradesh and Rajasthan. (2) It fights against drug trafficking using powers of Narcotic Drugs and Psychotropic Substances Act, 1985



Central Economic Intelligence Bureau (CEIB)	An agency in the Ministry of Finance. It receives information from Law Enforcement Agencies (e.g. CBI, ED, SFIO, State Police etc) and acts as the Central Repository of economic offense database.
Economic Intelligence Council (EIC)	- Chairman= Finance Minister - Member-secretary= Director General of CEIB - Representatives from CBDT, CBIC, ED, SEBI, RBI, R&AW etc.
Financial Intelligence unit (FIU-2004: वित्तीय आसूचना एकक)	It analyses the suspected financial transactions in domestic and crossborder levels & reports directly to the Economic Intelligence Council (EIC: आर्थिक आसूचना परिषद) headed by the FM.
Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	Deals with appeals in Union's indirect taxes other than GST. (For GST, there is separate tribunal, refer to previous handout) - Stage1: Junior Officers Stage2: Commissioner - Stage3: Customs, Excise and Service Tax Appellate Tribunal (CESTAT) Stage4: HC → SC.
Financial Action Task Force (FATF-1989: HQ@Paris) वित्तीय कार्रवाई कार्यदल: ऐसे बदमाश गैर ज़िम्मेदार देशों की सूची बनाता है जहाँ धनशोधन और आतंकी वित्तपोषण के खिलाफ़ सख्ती नहीं है)	- is a brainchild of G7, Combating Money laundering and terror finance. India became member in 2010. HQ@Paris Greylist: nations that safe haven for terror financing and money laundering. E.g. Syria, Yemen, etc are on the grey list. (Update 2022: Mauratius & Pakistan REMOVED from this list) Blacklist: nations that are not cooperating in the global fight against money laundering, terrorist financing. Iran and N.Korea
OECD (1961: HQ@Paris.) आर्थिक सहयोग तथा विकास संगठन)	✓ Organisation for Economic Co-operation and Development ✓ Works for International cooperation in the matters of economy and taxation. Known for Base erosion and profit shifting (BEPS) Norms. ✓ India is not a member of OECD, yet. HQ@Paris.

MCQ. How many of the following pairs correct? (Pre'25)

Organization	Some of its functions	It works under
I. Directorate of Enforcement	Enforcement of the Fugitive Economic Offenders Act, 2018	Internal Security Division-I, Ministry of Home Affairs
II. Directorate of Revenue Intelligence	Enforces the Provisions of the Customs Act, 1962	Department of Revenue, Ministry of Finance
III. Directorate General of Systems and Data Management	Carrying out big data analytics to assist tax officers for better policy and nabbing tax evaders	Department of Revenue, Ministry of Finance

Codes: (a) Only one (b) Only two (c) All the three (d) None



Note: this is the first time they asked to such 3 column pair MCQ of orgs. ED works under FinMin so st1 is wrong. St2 and St3 right so Ans (B), but in real life, it is difficult to memorise which law st2 enforces so elimination is impossible.

24.2 🍌🚫 TAX EVASION (HIDING INCOME / TRANSACTION) (कर चोरी)

24.2.1 🍌🚫🏛️ Prevention of Money Laundering Act (PMLA-2002)

ED files chargesheet in PMLA case involving Misa Bharti, names 35 accused



धनशोधन निवारण अधिनियम

- 1998: UN General Assembly (UNGA) declaration on Money Laundering → 2002: India enacts this law to combat money laundering with search-seizure-arrest-penalty. **Main agency?** Enforcement Directorate. (संयुक्त राष्ट्र सामान्य परिषद की घोषणा के बाद भारत ने कानून बनाया था)
- Cases heard @ PMLA Adjudicating Authority (न्यायनिर्णयन प्राधिकारी) → PMLA Appellate Tribunal (अपीलीय प्राधिकरण) → High Court → Supreme Court.
- RBI, SEBI, IRDAI and other regulators to make norms for Banks/NBFCs.
- E.g. RBI's Know Your Customer (KYC) norms and Anti-Money Laundering (AML) standards. 2013: Online Magazine Cobrapost's sting operation proved ICICI, HDFC and Axis Bank were flouting norms so RBI imposed a heavy penalties.

24.2.2 🍌🌐🌐 PMLA Reporting Norms to apply on Crypto-exchanges (2023)

- crypto-exchange is a platform where buying and selling of bitcoin and other crypto currency, NFTs takes place. e.g. Unocoin, Coinswitch etc.
- 2023: crypto-exchanges will have to perform the know your customer (KYC) guidelines i.e. collect ID proof, PAN/Aadhar, verified the residential address etc. (अपने ग्राहक को पहचानो नियमावली का पालन करना होगा)
- crypto-exchanges will have to notify any suspicious transactions to authorities. (संदिग्ध लेनदेन के बारे में सरकार को सूचित करना होगा)
- Govt issued these directives using Prevention of Money Laundering Act (PMLA-2002)

24.3 🍌👊 BURDEN OF PROOF & PMLA

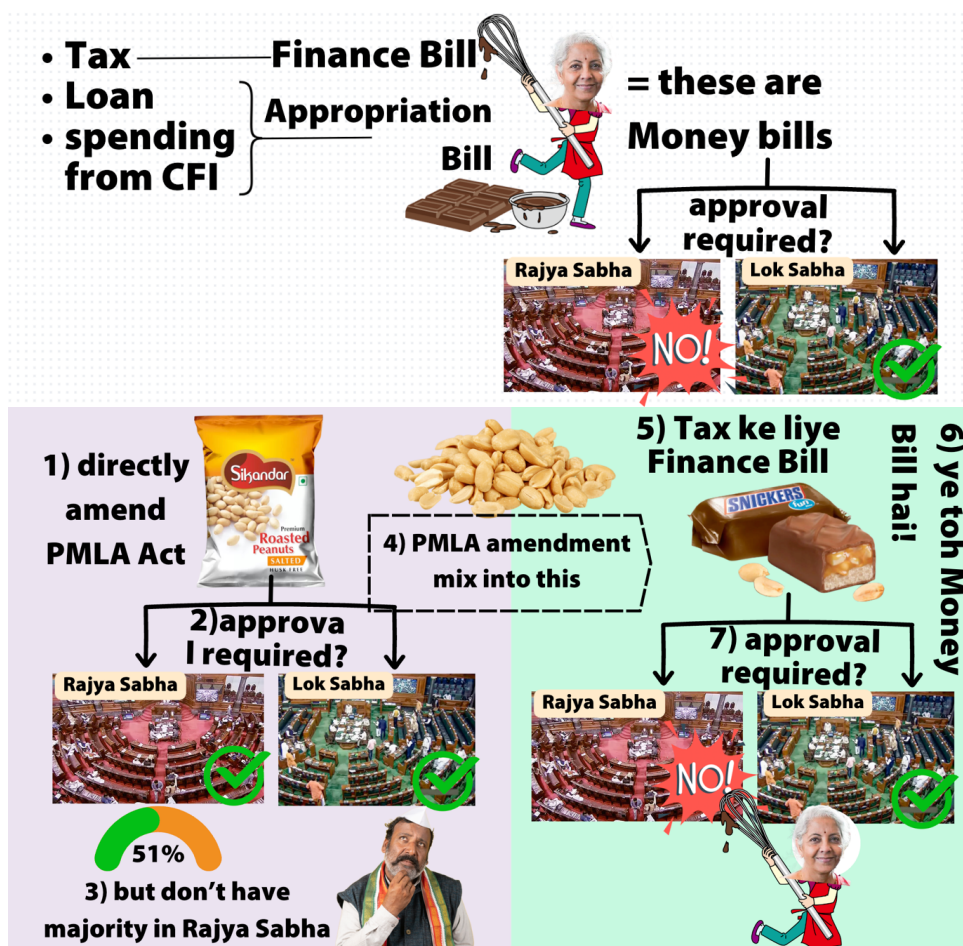
Burden of proof = responsibility of substantiating with evidence. (सुबूत देके आरोप को साबित/सिद्ध करना।)

Burden of Proof (सबूत का बोझ)	Reverse Burden of Proof (सबूत का उल्टा-बोझ)
On Police/Prosecution. They've to prove accused person committed crime. (पुलिस/सरकारी वकील ने साबित करना होगा कि आरोपी ने वो जुर्म/अपराध/गुनाह किया है)	On Accused Person. He has to prove he didn't commit crime. (आरोपी पर बोझ होगा कि वह स्वयं साबित करे उसने गुनाह नहीं किया।)
e.g. Present Indian penal code (IPC) / future Bharatiya Nay Sanhita	- e.g. Terrorist and Disruptive Activities (Prevention) Act (Sanjay Dutt case)



Burden of Proof (सबूत का बोझ)	Reverse Burden of Proof (सबूत का उल्टा-बोझ)
	- Narcotic Drugs and Psychotropic Substances Act, 1985 (SRK-son Aryan) - Prevention Of Money Laundering Act, 2002 (Rahul - National Herald Case)

24.3.1 PMLA Amendments via Finance Bill = Money Bill?



- Between 2015-19: Govt amended the PMLA Act
- To increase the powers ED to summons, arrest, and raids. (प्रवर्तन निदेशालय की शक्तिओं में बढ़ोतरी)
- Imposed 'reverse' burden of proof on accused. So automatically it became near impossible to get bail. (ज़मानत लगभग असंभव क्योंकि सबूत का उल्टा-बोझ आरोपी पर ही डाला गया)
- These changes were made by amending PMLA via Finance bill (instead of directly amending the PMLA Act- to avoid Rajya Sabha scrutiny) (धनशोधन क़ानून में सीधा संशोधन नहीं किया वरना राज्य सभा की अनुमति लेनी पड़ती है, और राज्यसभा में उस वक्त बीजेपी की बहुमति नहीं थी। इसलिए परोक्ष रूप से वित्त बिल में छिपाकर किया।) So, case filed in Supreme court against this for violation of fundamental rights of the accused person (through reverse burden of proof).
- 2022: SC held Govt is right in doing this & Opposition parties/PIL-Walla are wrong.
- 2023: Chief Justice of India (CJI) D.Y. Chandrachud said he will constitute a seven-judge Constitution Bench to revisit this matter. (इस मामले को फिर से देखेगी सुप्रीम कोर्ट की संवैधानिक खंडपीठ)



24.3.2 🍌🍌🍌 Undisclosed Foreign Income & Assets Act (UFIA-2015)

ED requests foreign agencies for details about UK assets linked to Vadra, summons NRI



अज्ञात विदेशी आय तथा परिसंपत्ति अधिनियम

- It requires Indian residents to disclose their foreign assets (e.g. bungalow in Dubai, Bank account in Switzerland), and income coming from foreign sources (e.g. shell company in Cayman Island) in their income tax forms. (विदेशी आमदनी और विदेशी निवेश की जानकारी अपने आयकर फॉर्म में देनी होगी)
- Such foreign income will be subjected to 30% income tax. No deduction, exemption or rebate
- **Violation** = Penalty + upto 10 years jail time.
- If a company is found violating the Act, then every person responsible to the company shall also be liable for punishment unless he proves that it was done without his knowledge.
- Empowers Union to enter into agreements with other countries for the tax info exchange.

24.3.3 🍌🍌🍌 Benami Transactions Prohibition Act (BTPA- 1988, 2016)

Crackdown on benami properties! I-T attaches Misa Bharti's Rs 15-crore farmhouse in Sainik Farms

By: FE Online | Published: October 25, 2018 4:07 PM



- 1988's original act did not achieve much results → amended in 2016. **Main Agency?** Income Tax Department. (बेनामी लेनदेन (निषेध) अधिनियम:)
- Benami refers to properties that buyer registers in the name of his relative, personal staff (Driver, Gardner) or a non-existent/ fictitious persons (काल्पनिक व्यक्ति) to avoid tax authorities' attention.
- E.g. 2018: Misa Bharti Yadav (allegedly) bought farmhouse in the name of her brother-in-law Nilesh Kumar.
- Cases heard @ PMLA-walli bodies. **Violation** = Confiscation of property + penalty + Jail

AB CD ? MCQ. 'Prohibition of Benami Transactions Act': find correct statement(s): (Pre-2017)

1. A property transaction is not treated as a benami transaction if the owner of the property is not aware of the transaction.
2. Properties held benami are liable for confiscation by the Govt. (बेनामी संपत्ति को सरकार जप्त/क्रब्जे में लेगी)
3. The Act provides for 3 authorities for investigations but does not provide for any appellate mechanism. Answer Codes: (a) 1 only (b) 2 only (c) 1 and 3 only (d) 2 and 3 only

24.4 🍌🍌🍌 TAX EVASION → GOVT ANNOUNCEMENTS

24.4.1 🍌🍌🍌 Tax (Evasion) "Surrender" schemes

गुनाह कबूल करो / आत्म-समर्पण करो तो कम जुर्माना भरना होगा / जेल नहीं जाना होगा



Under such schemes, a tax-evader can declare his undisclosed income, pay the taxes and penalty. Then, Income Tax Department will not pursue case against him. (Although Police may still pursue case if income is from narcotics, kidnapping, extortion etc.)

Income Declaration Scheme (IDS) from 2016 Jun to Sept	Offer? 45% of the undisclosed income shall be taken away by govt as (tax 30% + surcharge + penalty). ~67,000 cr black money was declared.
Pradhan Mantri Garib Kalyan Yojana (PMGKY) Launched after Demonetization Validity? 2016-Dec: To 2017-April	~50% of the undisclosed income shall be taken away by Govt. as Tax + Penalty + Pradhan Mantri Garib Kalyan Cess. - Further, 25% of the undisclosed income shall be deposited in RBI's 'Pradhan Mantri Garib Kalyan Deposit Scheme, 2016'. It'll be a fixed deposit for 4 years @ ZERO % Interest rate. - The PM Garib Kalyan cess, and deposit will be used for schemes related to irrigation, housing, toilets, infrastructure, edu, health etc. - The scheme was not very successful, hardly ~ ₹ 5000 cr. declared.
 Sabka Vishwas L.D.S Scheme 2019 In budget-2019	- Businessman accepts his fault, Tax officials gives a 'discount/relief/waiver' in the penalty/late-fees, and the matter is settled, instead of litigating in courts for years & years. - For pending cases in Service Tax & Excise Duty

24.4.2 Vivad se Vishwas Scheme for Direct Taxes (Budget-2020)



राजा से बड़ी, राजा के वकीलों की फौज!

ठीक है तो कोर्ट के बाहर
विवाद का 'विश्वास' से समाधान कर लेते हैं



Presently, >₹9 lakh cr worth direct tax cases pending before Appellate Forums (अपीलीय मंचों के समक्ष लंबित मामले) viz. IT Commissioner (Appeals) → Income Tax Appellate Tribunals (ITAT: आयकर अपीलीय न्यायाधिकरण) → HC → SC. So, Budget-2020 → "Direct Tax Vivad se Vishwas Bill/Act, 2020".

- ⇒ Scope: Appeal related to Income tax or Corporation Tax, pending before a forum as of 31/Jan/2020. Then,
- ⇒ Taxpayers can settle with IT dept by paying 50-100% of the disputed tax amount- depending on the case-matter.
- ⇒ he'll get a complete waiver/relief from interest+penalty (ब्याज और जुर्माना से माफी).
- ⇒ Above scheme is valid upto 31/March/2020, then Atma-Nirbhar Bharat extended it further.
- ⇒ This scheme is not applicable if:
 - person is under prosecution for criminal activities. (अपराधिक मामले चल रहे हों)
 - If black money is hidden in foreign countries. (विदेश में काला धन छिपाया हो)

 Budget-2024-July: announced to restart it again.



24.4.3 🍌🍌🍌 Dispute Resolution Committee (DRC) in 🗑️ Budget-2021

- ⇒ 🗑️ Budget-2021 Announced to setup this committee under the Income Tax Act (आयकर कानून के अंतर्गत विवाद निपटान समिति)
- ⇒ Anyone with a taxable income up to ₹50 lakh and disputed income up to ₹10 lakh shall be eligible to approach the Committee. Committee can reduce, waive any penalty or give immunity from any offence. (गुनाह कबूल कर लो / समझौता करवालो तो कम जुर्माना भरना होगा / जेल नहीं जाना होगा इत्यादि)
- ⇒ It will help the small taxpayers to settle tax matters without going through legal expenses & time wastage in the regular appellate process. (i.e. viz. IT Commissioner (Appeals) → Income Tax Appellate Tribunals (ITAT: आयकर अपीलिय न्यायाधिकरण) → HC → SC. (छोटे करदाता का कोर्ट कचहरी में मुकदमें बाजी में समय और पैसे बच जाएगा))
- ⇒ It will be a faceless / online Committee to ensure efficiency, transparency and accountability.

24.4.4 🍌 Interim-Budget-2024 : Amnesty for Small Tax Payers / Case withdrawal

To give relief to small tax payers, Govt will withdraw small cases IF

Case Year	if direct tax case is not more than _ _ _ Rupees
1962 to 2009-10	₹25,000
2010-11 to 2014-15	₹10,000

This will help about 1 cr tax payers.

24.4.5 🍌🍌 Tax Evasion → Other Initiatives before Corona-2020 (अन्य कदम)

Banking Cash Transaction Tax (BCTT: 2005-09)	A 0.1% direct tax levied on cash withdrawals from banks. Started by Chidambaram but later withdrawn (2005-09). Objective was to encourage less-cash economy and data mining of transactions.
(Suggested) Banking Transaction Tax (BTT) बैंकिंग लेनदेन पर कर	A proposal by a Pune based think-tank to Baba Ramdev that all the direct and indirect taxes of the Union and states should be abolished and replaced with 2% tax on banking transactions. Impracticable because such experiments were tried and failed in Australia and other countries as people shifted to using barter system, diamonds and gold for transaction. 2017: Govt clarified they are not considering any such proposal. So NOTIMP
SC's special investigation team (SIT) on Black Money 2014	Chairman: Retd. SC Justice MB Shah, and senior tax officials. They recommended various measures against Black Money hidden in India, in overseas banks, P-Notes etc. SC ordered Govt to implement its recommendations.
Operation Clean Money	2017: IT Dept. verified large bank deposits made Post-demonetization.
Restrictions on Cash Transactions, 2017	Budget 2017 → Finance Act, 2017 → 1) if anyone accepts ₹ 2 lakh / > CASH in a day / in multiple transactions related to one 'event', then Income Tax Dept penalty = 100% of the cash received. Banks, post office, govt organisations that receive cash = are exempted. 2) normally political party does not have to pay income tax. But if

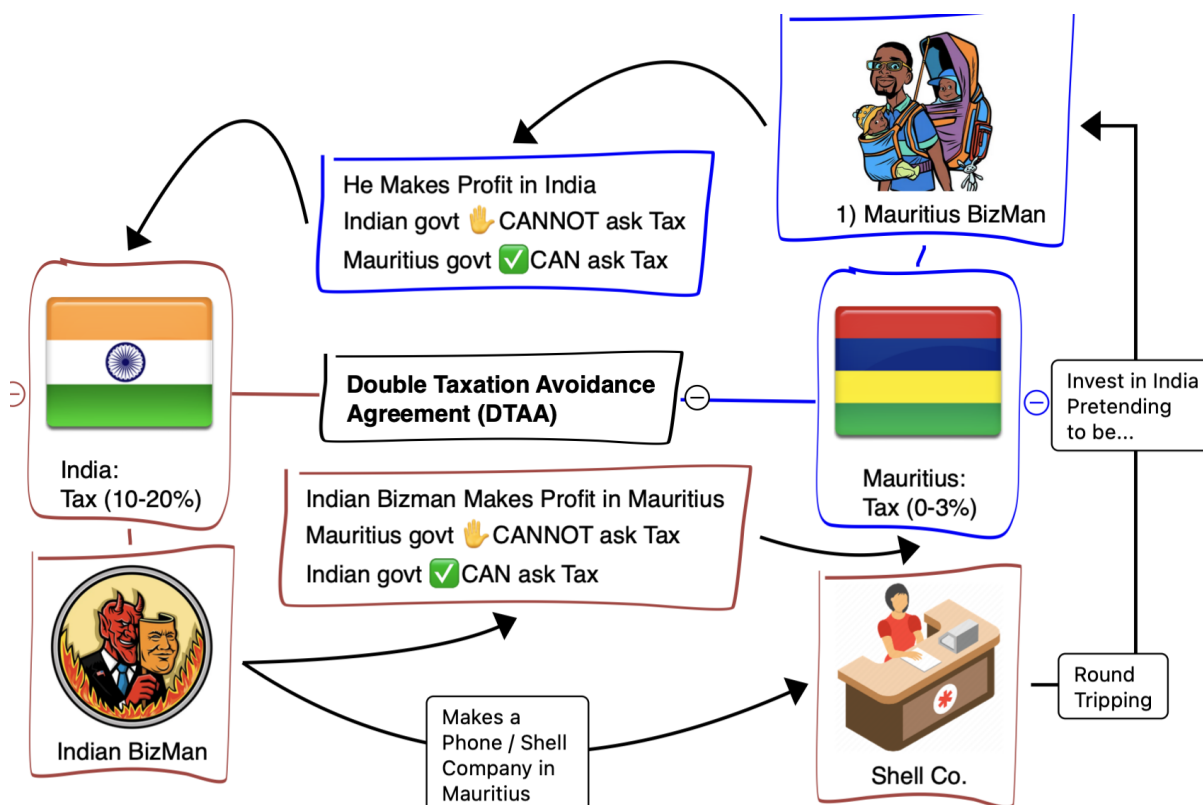


	political party accepts more than ₹2000 CASH as donation → political party will have to pay income tax on such donation. (This rule made to encourage the use of cheque/ NEFT/ RTGS/ Electoral bonds in donation.)
Electoral Bonds, 2017	Ref: Pillar#1C: SEBI/Sharemarket handout

24.5 (🍌👉👤) TAX AVOIDANCE (कर परिहार / कर टालना)

Here, people will not hide the transaction, they'll blatantly declare transactions in their official records, but will use legal loopholes to avoid paying taxes. (कानूनी-खामिया निकालके कर/टैक्स नहीं भरेंगे।)

24.5.1 🍌👉👤 Double Taxation Avoidance Agreement (DTAA) & Round Tripping



- **DTAA:** It is a tax treaty signed between two or more countries.
- **Objective?** A taxpayer resides in one country and earns income in another, then he need not pay (direct) tax twice in two countries for the same income.
- e.g. India Mauritius DTAA (1982): If a Mauritius person / company buy shares in India and sells them at profit, then he need not pay Capital Gains Tax (CGT) in India. Only the Mauritius government can ask CGT from him. And vice-versa. (दोहरा कराधान परिहार समझौता)
- 🧐 **Loophole?** India has 12.50 to 20% CGT whereas Mauritius ~0-3% CGT. So many Indian Politicians, Businessmen and Bollywood actors would transfer the money using *Hawala* to their shell companies in Mauritius → make those Mauritius Cos to invest back in Indian assets/sharemarket, to avoid Indian CGT.
- This process is called **Round Tripping** (राउंड-ट्रिपिंग) i.e. money that leaves the country through various channels and makes its way back into the country as foreign investment.



- Similar loophole in India Singapore DTAA. **2016:** Modi government amended the treaties = even Mauritius and Singapore investments in India will be subjected to Indian taxes.

24.5.2 DTAA → Principal Purpose Test (PPT: प्रमुख उद्देश्य कसौटी.)

- It means DTAA's tax benefits will not be applicable to a company, if govt finds that tax-evasion/avoidance the principal purpose of any transaction. (यदि सरकार को पता चले कि किसी लेन-देन का प्रमुख उद्देश्य धंधा करना नहीं, लेकिन कर-चोरी/कर परिहार था, तो फिर उस कंपनी को DTAA के फायदे नहीं मिलेंगे)
- Benefit? It will reduce the opportunities for the round-tripping and BEPS for the companies who are misusing DTAA.
- 2024-March: India and Mauritius amended the original DTAA with this new PPT-provision.
- After this news, many (tax-chor) foreign investors started exiting from Indian sharemarket → SENSEX ↓↓ fell in 2024-March.

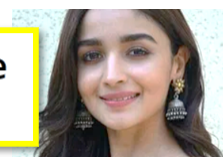
24.5.3 🌐⚖️ International Law: Monism and Dualism & application of DTAA

Monism- अद्वैतवाद	Dualism- द्वैतवाद
International law is superior to domestic law. (अंतर्राष्ट्रीय कानून घरेलू कानून के ऊपर है / सर्वोपरी है।)	A dualist system treats the international and domestic systems of law as separate and independent (दोनों ही अलग और स्वतंत्र है)
If there in any conflict between the two laws, then international law will prevail over the domestic law.	Not necessary.
International law automatic applies to the country without changing the local laws. (बिना राष्ट्रीय स्तर के कानून में कोई बदलाव किए अंतरराष्ट्रीय कानून के प्रावधान सीधे ही उस देश पर लागू/अमल हो जाएंगे।)	International law will be applicable in a nation, ONLY after that nation amends its local national laws. (जब देश के खुद के कानून में सुधार/संशोधन किया जाएगा तभी उसे देश में अंतरराष्ट्रीय कानून के प्रावधान लागू हो सकते हैं)
India doesn't follow this system.	India follows this system.

Why in news? 2023: SC ruled DTAA applicable ONLY after Indian government amends/notifies such DTTA under India's own income tax act.

24.5.4 🍏👉🧑 Tax Avoidance through Non-Resident Status

Alia Bhatt reveals the one reason why she can't vote in Lok Sabha Elections 2019



If a person is	🦁 Has to pay his IT on income coming from India?	💀 Has to pay IT on global income e.g. income coming from the USA/China?
Ordinarily resident of India	Yes	Yes
Non-residents	Yes	No

If India has a double taxation avoidance agreement (DTAA) with other nation, then above things may differ (e.g. recall erstwhile Mauritius CGT-roundtripping-walla example)

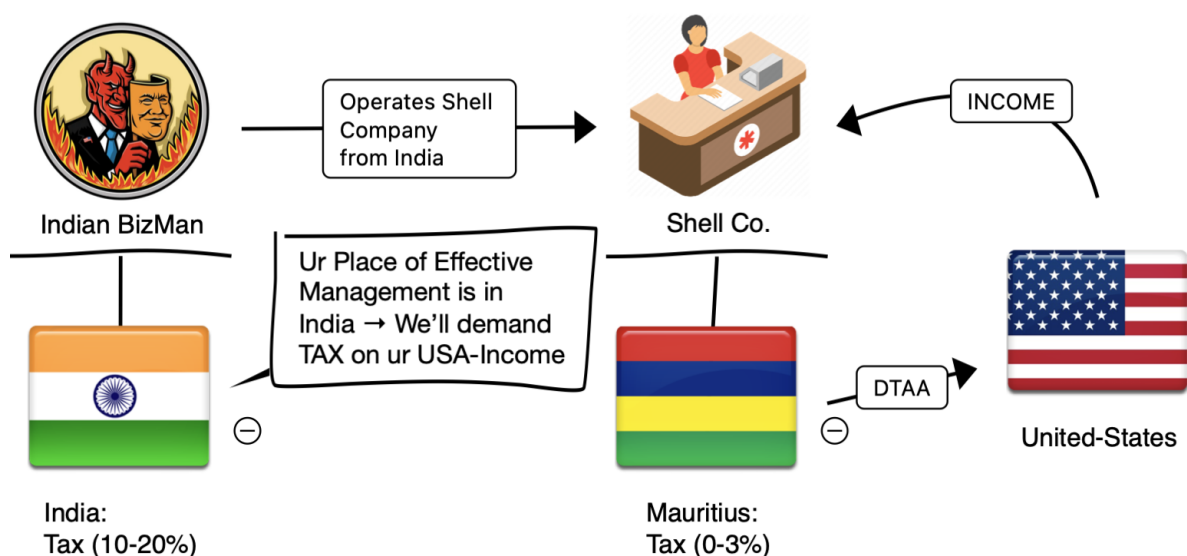


Table 2: Budget-2020 changed these definitions

Definition in Indian Tax laws	Before Budget-2020 →	Budget-2020
Ordinarily Indian Resident (साधारणतया भारतीय निवासी) = person who stays in India for →	182 days/> in a year	120 days/>
Non resident (गैर निवासी)= person who stays outside India for →	182 days/> in a year	246 days/>

⇒ **Implications?** Person will have to stay out of India for a longer period if he want to be treated as “Non-Resident” to avoid taxes on his global income.

24.5.5 🍌👋🧑 Place of Effective Management (POEM: पीओईएम)



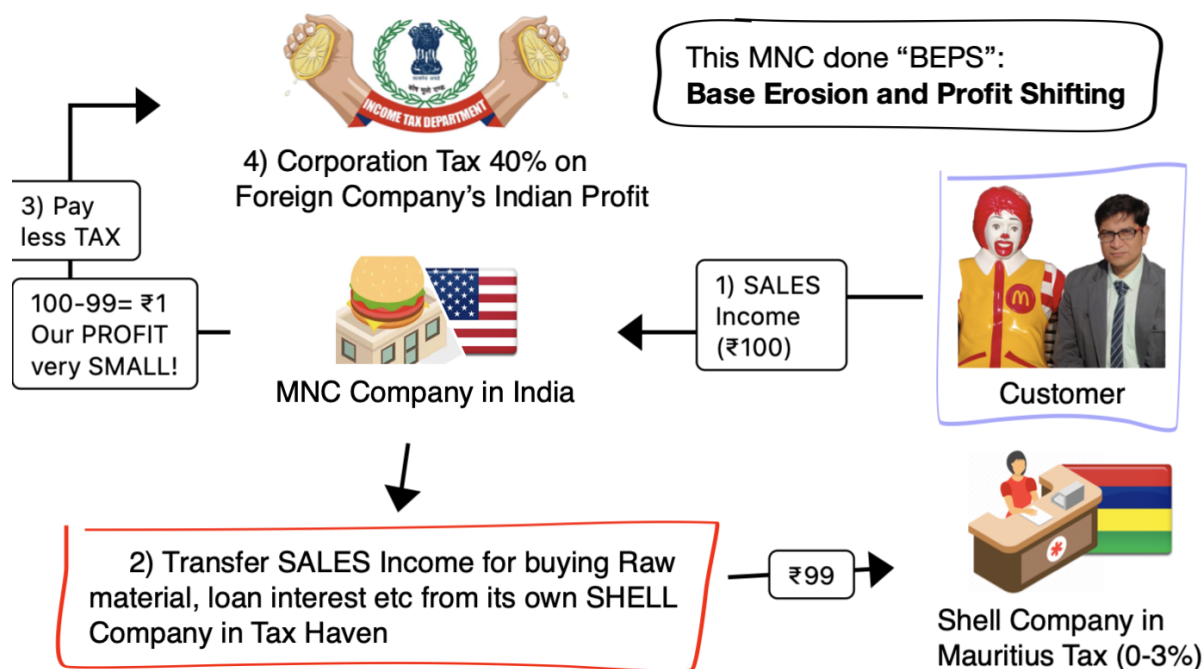
(विदेश में बनी फर्जी कंपनी के प्रबंधन का वास्तविक स्थान भारत में स्थित है तो भारत सरकार उसके मुनाफे पे टेक्स मांगेगी।)

24.5.6 🍌👋🧑 Base Erosion and Profit Shifting (BEPS: बीईपीएस)

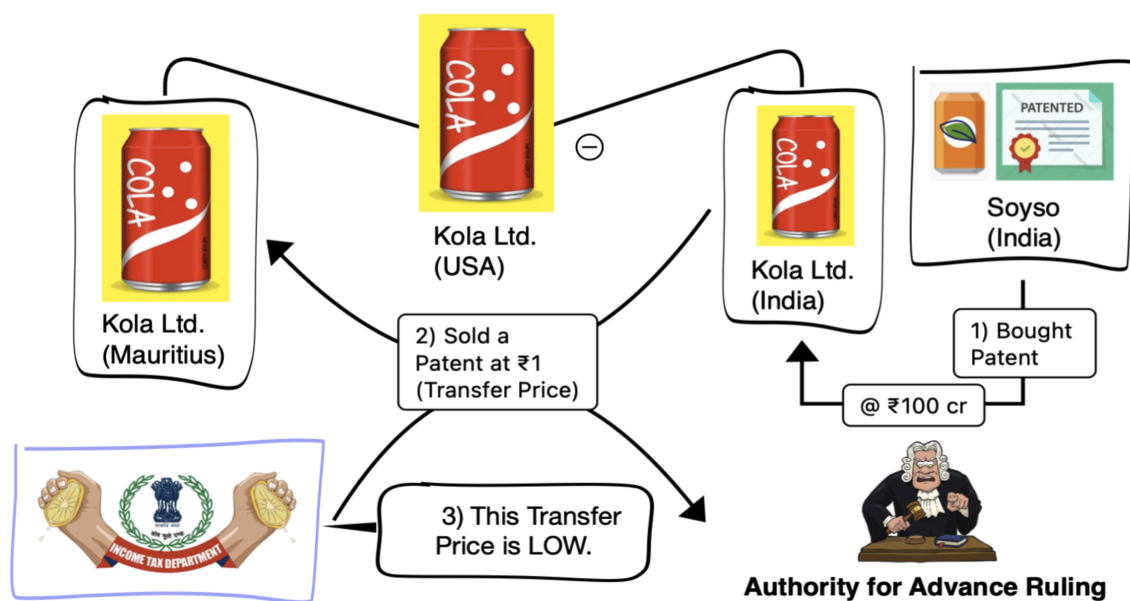
MCDONALD'S ACCUSED OF RE-ROUTING ROYALTY PAYMENTS TO AVOID BILLIONS IN EUROPEAN TAXES



- When MNCs shift profit from its source country to a tax-haven to avoid / reduce paying taxes, its known as “BEPS”. (बहुराष्ट्रीय निगम द्वारा मुनाफे को स्थानांतरित करना ताकि भारत में उसे टेक्स कम भरना पड़े)
- India signed the OECD's joint Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (commonly referred to as MLI) ओईसीडी के बहुपक्षीय समझौते पर हस्ताक्षर किए हैं



24.5.7 🍋👋🧑 Transfer Pricing & Authority for Advance Rulings (AAR) (हस्तांतरण मूल्य)



24.5.8 🍋👋🧑 General Anti-Avoidance Rules (GAAR)

Till now we learned how Indians and foreigners avoid tax payment in India through loopholes like DTAA, POEM, BEPS, Transfer Pricing etc.

- So, UPA/Congress Govt setup economist **Parthasarathi Shome** panel who suggested General Anti Avoidance Rules (GAAR: कर परिवर्जन रोधी व्यापक नियम) → they were added Income Tax Act
- GAAR empowers Income Tax officials to send notices to both Indians and foreigners for suspected Tax **Avoidance**. (For Tax **evasion**, we've separate laws- PMLA, UFIA, BTPA)



- But critics alleged GAAR will result in tax terrorism, harassment, no ease of doing biz. So successive Budgets kept delaying the GAAR- implementation. Finally done on 1/4/2017.

24.5.9 🚢 Safe Harbour Rules (सुरक्षित बंदरगाह नियम)

It is a concept related to legal immunity (कानूनी संरक्षण).

👉 e.g. for social media	👉 e.g. for calculation of direct taxes
- if a user uploaded pirated movie on Facebook → govt will not take action against Facebook owner Mark Zuckerberg (if he removes it). - But govt will take action only against user.	- in certain type of transactions involving transfer pricing and foreign investors → Indian tax officers will not take action against those foreigners. - See next section for transfer pricing.

24.6 (👉👉👉👉👉) 🕒 RETROSPECTIVE TAX: VODAFONE

- ⇒ **(Intro: Origin)** To avoid paying capital gains tax in India, the foreign companies usually create shell companies to indirectly transfer Indian assets. (भारत में पूंजीगत लाभ कर से बचने के लिए विदेशी कंपनियों द्वारा शेल कंपनी बनाकर भारतीय सम्पत्तियों की परोक्ष रूप से खरीद बिक्री की जाती है)
- ⇒ **(Definition)** Respective taxation= It is an act of demanding tax on a transaction that occurred in the past, when such transaction was not taxable. e.g. in 2012- demanding tax on 2007's event, even though in 2007 it was not taxable as per law in 2007. (पूर्वप्रभावी/भूतलक्षी कराधान यानी की कोई ऐसी भूतकाल की लेनदेन पर कर माँगना, जिसपर उस भूतकाल में कानून रूपसे कर नहीं लगता था)

- For more watch lecture.

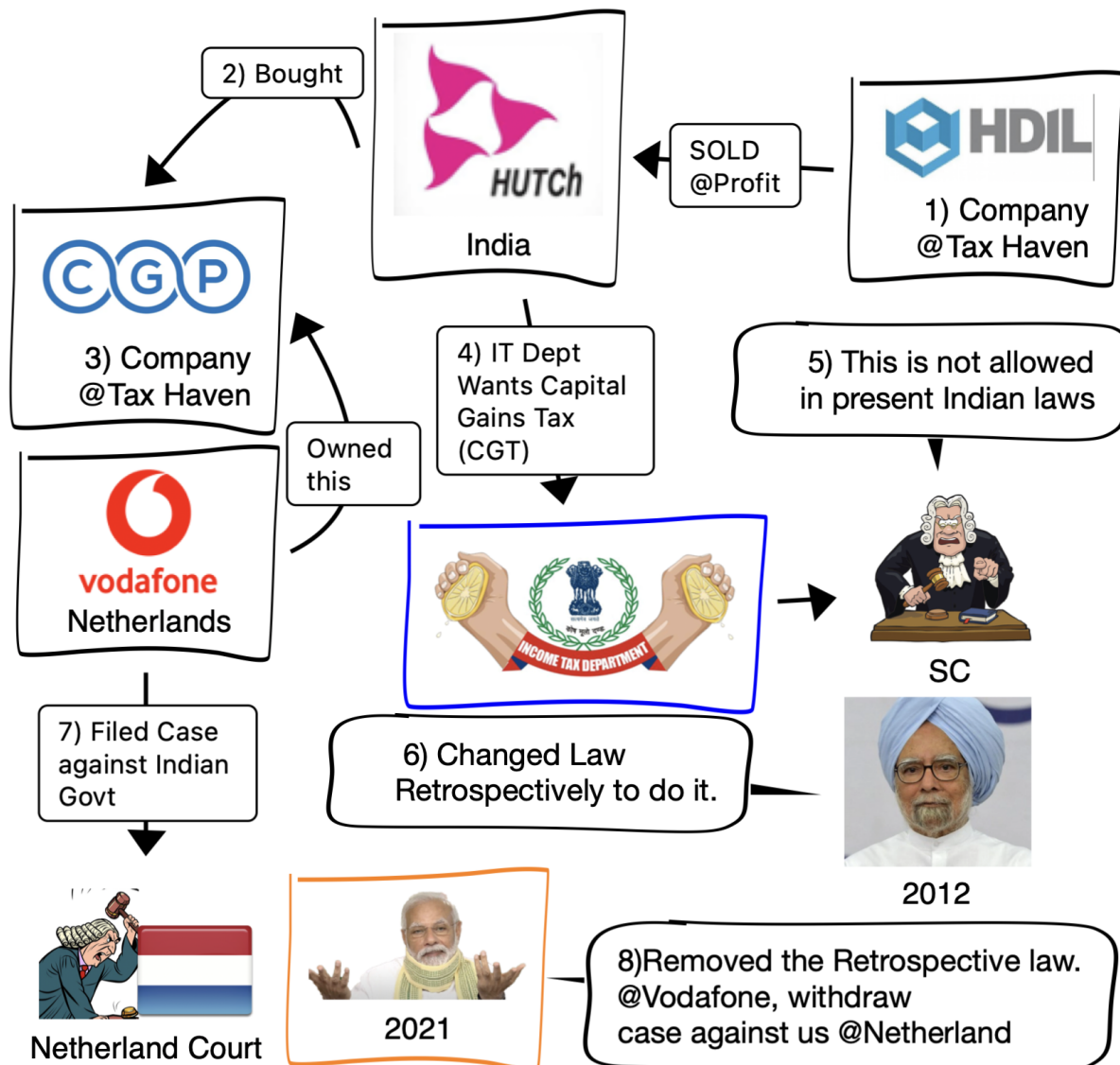
24.6.1 (👉👉👉👉👉) 🕒 Retrospective Tax removed after Cairn Energy

Cairn Energy Company's case is also similar to Vodafone Hutch case. Income tax dept was demanding Capital Gains Tax. Cairn complained to Netherland Arbitration Court under the provisions of India Britain bilateral investment Treaty. (Such treaties allow the aggrieved investor to complain in the specialised international tribunals at Singapore, Netherland, etc.)

- ⇒ 2020-21: Netherland Arbitration Court had ordered Indian govt to pay \$1.2 billion to Cairn Energy for tax harassment. (नीदरलैंड की कोर्ट ने भारत सरकार पर एक बिलियन डॉलर से ज़्यादा का जुर्माना डाला)
- ⇒ To recover this \$1.2 billion compensation, Cairn company was trying to seize Indian Govt's assets in foreign countries e.g. Air India planes parked on USA Airport, Indian Govt's embassy office/properties in Paris etc. (कंपनी मुआवज़े की वसूली के लिए भारत सरकार की विदेशों में स्थित संपत्तियों पर कब्ज़ा/नीलामी चाहती है)
- 2021-Aug: FinMin introduced a Taxation Laws (Amendment) Bill, 2021 to end retrospective tax rule- (वित् मंत्रालय का कराधान कानून संशोधन अधिनियम २०२१- जिसमें पूर्वप्रभावी/भूतलक्षी कराधान को रद्द किया)
 - "If indirect transfer of Indian assets occurred before May 28, 2012, then Indian government will not demand taxes on it. (2012 से पहले हुए इस प्रकार के लेन देन पर कोई भूतलक्षी कराधान नहीं माँगा जाएगा।)
 - however it requires that company need to drop the cases against Indian tax authorities, filed in the Indian and foreign courts. (हालाँकि इस रियायत में शर्त ये है, कि कंपनी ने भारतीय सरकार के खिलाफ़ जो जो मुकदमे भारतीय और विदेशी अदालतों में दायर किए हैं, उन्हें वापस लेना होगा।)



⇒ 2021-Sept: Cairn agrees to drop cases filed against India in France, Netherland, USA etc. And government of India agreed to drop the (retrospective) tax demand against Cairn. Vodafone also planning to do similar. (उन विदेशी कंपनियों ने भारत सरकार के खिलाफ विदेशी अदालतों में दर्ज किए केसों को वापस लिया)



AB CD ? Which one of the following situations best reflects “Indirect Transfers”? (Prelims-2022)

- An Indian company investing in a foreign enterprise and paying taxes to the foreign country on the profits arising out of its investment
- A foreign company investing in India and paying taxes to the country of its base on the profits arising out of its investment
- An Indian company purchases tangible assets in a foreign country and sells such assets after their value increases and transfers the proceeds to India
- A foreign company transfers shares and such shares derive their substantial value from assets located in India



24.7 🌍👏🌐👤 GLOBAL MINIMUM TAX (वैश्विक न्यूनतम कर)



- ⇒ (Introduction: Origin) Tax Haven/Low Tax nations such as Luxembourg (Corporation Tax: 1.39%), British Virgin Island 0.07%, Cayman Islands 0.2 %. These countries are geographically small, & without a viable economy. So they offer such a mechanism to attract foreign investors and foreign tourists. (कर स्वर्ग ऐसे देश हैं जहां पर प्रत्यक्ष करों की दर बहुत कम होती है ताकि विदेशी निवेश और विदेशी पर्यटकों को आकर्षित किया जा सके)
- ⇒ Multinational corporations register their company here to transfer their profits/avoid paying taxes to normal countries where they are operating. India is losing annually \$100 cr, while USA is losing annually \$500 cr by this. (बहुराष्ट्रीय कंपनियां ऐसे कर स्वर्ग की मदद से कर-परिहार/करो को टालती हैं।)
- ⇒ USA: Former President Donald Trump ⬇️ decreased corporation tax from 35% to 21%. New President Joe Biden aims to ⬆️ taxes for Corona-welfare schemes for Americans. Biden also urged G20 group of countries to keep minimum level of Corporation taxes. (Given in next topic)

24.7.1 🌍👏🌐👤 Global Minimum Tax: G7 Framework

G7 Summit-2021: The theme is 'Build Back Better'. **Venue:** Cornwall, England. **Members:** US, UK, France, Germany, Italy, Canada and Japan- with following outcomes:

- ⇒ Companies need to pay in the countries where they do business. (कंपनी जिस देश में धंधा व्यापार कर रही है वहां उसने कर देने होंगे)
- ⇒ G7 framework/agreement for global minimum tax framework of 15%. (बहुराष्ट्रीय कंपनियों पर न्यूनतम 15 प्रतिशत कर/टेक्स)
- ⇒ In the past, countries engaged in a tax-reduction race, to attract FDI investments. This needs to be discouraged. (विदेशी निवेश को आकर्षित करने के चक्कर में अलग अलग देश अपने करो की दरें कम किये जा रहे थे. इस स्पर्धा को रोकना होगा)
- ⇒ Later such treaty may be used for imposing sanction / international lawsuits / arm-twist tax havens to increase their taxes. Then it'll become difficult for companies to avoid paying taxes. (भविष्य में इस प्रकार की संधि द्वारा छूट-भैय्ये कर-स्वर्ग देशों पर प्रतिबंध /दंड/अंतरराष्ट्रीय मुकदमे चलाए जाएंगे। ताकि वे भी अपने करो की दरें बढ़ा दें. अंततः बहुराष्ट्रीय कंपनियों के लिए कर-परिहार मुश्किल होगा।)
- ⇒ 2021-Jul: India supported the idea. 2025-USA Trump walked out of the deal.

24.7.2 🌍👏🌐👤 G7-OECD "Two" Pillar Solution for Global Minimum Tax

For implementation of above G7 15% Global Minimum Tax Framework → OECD has given "Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy."

	Pillar#1	Pillar#2
Applies to?	- Applies to ~100 biggest and most profitable multinational enterprises (MNEs).	Applies to any company with over 750 million EURO annual revenue
Implications?	- They need to re-allocates "X%" of their	These companies would be



	Pillar#1	Pillar#2
	profit to the countries where they sell their goods/services. (So, such govt can count that profit & demand Corporation Tax on it.) - All member-nations to remove all Digital Services Taxes. (e.g. India will have to remove equalisation levy/google tax. REF: Handout Pillar#2A1- Direct Taxes.)	subject to an minimum 15% tax (on their profit). Associated term / keyword: qualified domestic minimum top-up taxes (QDMTT)

24.7.3 🇺🇸 USA / Trump walks out of global minimum tax (2025-Jan)

- President Trump declared that global corporate minimum tax deal has no force/validity in the USA. bcoz
- (1) Trump does not recognize the commitments made by previous Prez Joe Biden.
- (2) This deal requires American companies to pay taxes in the countries where they make profit e.g. To India. Trump says such tax will harm America's economic sovereignty and competitiveness.

AB CD MCQ. Quantified Domestic Minimum Top-up Tax' is a term related to _____. (EPFO-2023)

- (a) Global Anti-Base Erosion Rules - (b) Prevention of Money Laundering
- (c) Regulation of Crypto-currency - (d) Virtual Digital Asset Transactions

24.8 🍋🍋🍋👤: REFORMS TO REDUCE TAX TERRORISM / HARASSMENT



We learned about the reforms to fight "Tax evasion" → ban on cash transaction of ₹ 2 lakh / >, - Operation Clean Money etc. So, on one hand, Income Tax Department has to become 😡💪 strict / coercive to fight against Tax evasion. At the same time, IT dept. also needs to become more 🤝🌸 friendly towards honest taxpayers, So, following measures taken → (कर आतंकवाद उत्पीड़न)

24.8.1 🍋🍋🍋👤: Pre-filled online forms for Tax Payers

Income Tax dept extract your financial data from Banks, NBFCs, Stock exchanges, Mutual Funds, EPFO, Employers' TDS submissions etc. → provides you with a Pre-filled tax returns containing your salary income, capital gains from share/bond, bank interests, etc. (पहले से भरा हुआ फॉर्म आपको दे देंगे)

- 1) 😊 Income tax payers' time and energy saved. He'll not have to consult Chartered Accountant for every small matter on how to fill form.
- 2) 😊 Accuracy of reporting income and paying taxes.

24.8.2 🍋🍋🍋👤: Updated Return Form to correct errors- in 🛒 Budget-2022:

- Sometimes, after filling up the Income tax form, the taxpayers may realize he committed mistakes in reporting his income. So, 🛒 Budget-2022 announced a new 'Updated Return Form' to provide



an opportunity to correct such errors, within two years of filling the original details. (कभी कभी करदाता फॉर्म में अपनी आय लिखने में गलतियां करता है। तो दो साल के भीतर वो उसे सुधार कर सके, ऐसा नया फॉर्म जारी किया जाएगा)

24.8.3 🍋🍋🍋👤: Faceless interaction between Tax payers and Tax official

Personal interaction between the assessee (=tax payer) and Income Tax official = more chances of harassment / bribery. So, Government launched following reforms:

- 1) Cases will be allotted in random **computerized lottery** basis to IT officials without disclosing the name, designation or location of the Officer.
- 2) faceless system of assessment and appeal. (= email / zoom / video-conference se reply karo.)

24.8.4 🍋🍋🍋👤: Document Identification Number (DIN: दस्तावेज़ पहचान संख्याक)



Corrupt Tax officials फर्जी letter head पे नोटिस भेज के मुझे धमका रहे हैं, रिश्तत की उगाही करूंगा। कैसे पता करू की नोटिस असली है या फर्जी?



Whenever Tax official sends letters to taxpayers regarding search authorisation, summons, arrest memo, inspection notices etc. All such documents will have computer generated 'Document Identification Number' (DIN).

- ✓ 2019: Both Central Board of Direct Taxes (CBDT) and Central Board of Indirect Taxes and Custom (CBIC) started this practice.

DIN system benefits?

- ✓ It'll create a digital directory of communication between tax authorities and taxpayers. Transparency, accountability, efficient and faster clearance of cases, because all the information available at the click of a mouse. (पारदर्शिता, जवाब देही, कार्य दक्षता, कसों का त्वरित निपटान)
- ✓ If a document doesn't have DIN number, it'll be **treated invalid**. Thus, DIN system will prevent the corrupt tax officials from sending **fake notices** to harass/blackmail taxpayers for bribes.

Sidenote: Director Identification Number (DIN): Director of every company is required to obtain this number from the **Ministry of Corporate Affairs** under the provisions of Companies Act. It helps monitoring the company act provisions related to "1 person can't be director in more than 'x' number of companies" etc.

24.9 🍋🍋🍋👤: TAXPAYERS' CHARTER IN 💼 BUDGET-2020 (करदाताओ का अधिकारपत्र)



ये लो "कागज" पे लिख के अधिकारपत्र देते हैं की ईमानदार कर-दाता को परेशान नहीं करेंगे, और यदि परेशान किया तो इस नंबर पे फ़रियाद कर देना।



A citizens' charter (नागरिक अधिकारपत्र) is a document of commitments made by a government agency to the citizens in respect of the services being provided to them.

- ⇒ e.g Dept of Post's citizen charter reads, "we'll deliver speed post anywhere in India by 4-5 days → ELSE complain online to this website & we'll solve it → if not solved in 90 days then complain



to Postmaster General → then to Chief Postmaster General.”

⇒ Traditionally tax administrations paid limited attention to taxpayer service. पुराने जमाने में/पारंपरिक रूप से कर-अधिकारी "करदाता को अच्छी सेवा देना" अपनी जिम्मेदारी नहीं समझते थे. घमंड और बेरुखी से काम करते थे

⇒ However, Modern times → 📈 demand for better services to the taxpayers → Govts across the world, started framing charters and bill of rights for the taxpayers. हालांकि आधुनिक विश्व में इस प्रकार के अधिकार पत्र और कानून बनाए गए हैं

1986	UK charters for taxpayers (करदाताओं का अधिकार पत्र) → more updated 2009
1991	- 1991: citizen charter system started in UK by PM John Major - 1997: citizen charter introduced by Indian Government (नागरिकों का अधिकार पत्र)
1988	USA Taxpayers' Bill of Rights (करदाताओं के अधिकारों का विधेयक/कानून)
2007	Canadian taxpayers' Bill of Rights
2020	📅 Indian Budget-2020: CBDT will declare a Taxpayers' Charter. So, Tax payer will easily know what services / complaint redressal mechanisms (शिकायत निवारणतंत्र) are available to him= ↓ taxpayer's harassment (करदाता का उत्पीड़न)

24.9.1 🇮🇳 📅 (Indian) Tax Payers' Charter released in 2020-Aug

It promises following things to taxpayers: करदाताओं को वादा करता है

1. You'll be treated in an impartial, courteous, professional manner. निष्पक्ष, विनम्र और पेशेवर तरीके से व्यवहार
2. You'll be treated/ presumed to be honest, unless there is a reason to believe otherwise. आपको ईमानदार माना जाएगा।
3. We will provide complete and accurate information about rules & complaint mechanism etc a timely fashion. नियम/शिकायत दर्ज कराने सम्बन्धी जानकारी
4. We will collect only correct amount of tax. (केवल सही राशि ली जाएगी। ज़बरन ज़्यादा राशि नहीं ली जाएगी।)
5. We will respect your privacy and confidentiality निजता व गोपनीयता का सम्मान
6. We will hold our officers accountable for their wrongful actions. अधिकारियों को गलत कार्यों की सजा देंगे
7. You can appoint a representative / tax lawyer to file replies/complaints/cases on your behalf. मामले दर्ज करने के लिए एक प्रतिनिधि / कर वकील नियुक्त कर सकते हैं।
8. We'll reduce cost of compliance (e.g. number of forms to be filled, photocopies to be submitted etc) अनुपालन की लागत कम करेंगे- फ़ालतू में दस्तावेज़ों की दर्जनों कॉपी निकालके फ़ॉर्म के साथ जोड़ने पड़े- ऐसे तमाम बंद करेंगे.
9. +many other points but we have sufficient content for 250 words

It expects following things from taxpayers: Be honest, Pay taxes in time, Keep accurate records, be informed, respond to notices in time when notices are given. (करदाताओं से निम्न अपेक्षा करता है की वे ईमानदार रहें, समय में करों का भुगतान करें, सटीक रिकॉर्ड रखें, सूचित रहें, समयसर नोटिस का जवाब दें)

24.10 🇮🇳 📅 ♂ TAX OMBUDSMAN IN 📅 ECONOMIC SURVEY 2021

- 'Ombud' is a Swedish term and refers to a person who acts as the representative or spokesman of another person. 1809: The institution of Ombudsman was first created in Sweden- to look into citizens grievances (लोकपाल/लोक प्रहरी- नागरिकों की शिकायतों के निवारण के लिए)
- ✅ Homework: READ about Lokpal and Lokayukta in Polity Book

24.10.1 🇮🇳 📅 ♂ Tax ombudsman: Indian experience

2003	Direct Tax Ombudsman In India Started (प्रत्यक्ष करों के लिए कर-लोकप्रहरी/शिकायत निवारण अधिकारी)
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2011	Indirect Tax Ombudsman In India Started (अप्रत्यक्ष करों के लिए)
2019	Above posts were abolished (दोनों पदों को समाप्त कर दिया)
2021	Eco Survey recommends to setup tax ombudsman with statutory powers. More in the Mains Handout.

24.10.2 🍌👤: Reducing Tax Terrorism / Harassment: online portals/Apps

Aaykar Setu	- 2017: CBDT's mobile app for Income Tax, TDS refunds etc.
Ease in paying Customs Duty : Portals/Apps by CBIC	1. Indian Customs Electronic Gateway (ICEGATE) webportal for e-services related to the Customs duty. 2. ICEDASH webportal: public can view daily data on customs clearance at seaports and airports. (launched 2019-Nov) 3. ATITHI mobile app: for international travelers to file the customs declaration in advance (e.g. 'we are leaving or coming with "x" gms of gold/diamonds/electronics etc on which y% customs duty is applicable/exempted'). So, they don't have to waste time at airport queues in filing such declarations. (launched 2019-Nov)
Transparent Taxation - Honouring the Honest पारदर्शी कराधान- ईमानदार का सम्मान करना 2020	This portal has following components: ⇒ Taxpayers' Charter. ⇒ Automated Random/lottery allocation of investigation cases. ⇒ Faceless assessment & Faceless appeal. No requirement of physical interface between taxpayers and the Income Tax department.
Turant Customs 2021	⇒ By Central Board of Indirect Taxes and Customs (CBIC) ⇒ Turant Customs initiatives= Faceless, Paperless, and Contactless Processes / Application Forms, Appeal etc for importers, exporters

24.10.3 📄 ITR / income tax return form

- It is a form through which person/company needs to disclose income, and pay direct taxes.
- ITR forms have different form numbers such ITR-1 (Sahaj), ITR-4 (Sugam), ITR-2 etc. depending on the type of taxpayer (salaried-employee, freelance-professional, company etc)

Year	2022-Dec-31st	2023-Dec-31st
No. of ITRs filed	7.51 crores	8.18 crores

24.10.4 🔍 Income Tax : E-Governance Initiatives in Modi-Raj

Non- Filers Monitoring System (NMS)	- This software monitors the TDS/TCS, e-commerce websites (e.g. Amazon se iPhone buying) etc. to identify the people who are doing high-value transactions, but not filing income tax return (ITR) forms. - Then IT Dept issues notice to such people / tax-evaders.
TDS: TRACES Portal / Refund Banker SBI	- TDS Reconciliation Analysis and Correction Enabling System (TRACES) - is a web portal of the Income Tax Department. - Helps in deposit & refund of TDS/TCS. - Refund is delivered to tax payer via Refund Banker SBI via NEFT/RTGT/Cheque.(Ref: Pillar#2A1: TDS and refund)



Project Insight 2017	Income Tax Dept. hired L&T Infotech Ltd to develop an integrated platform for data mining & tracking tax evaders. (Related) Project Saksham 2016: CBEC/CBIC's project for digital re-engineering related to GST. It's not a 'drive against black money' but for 'Ease of Paying Taxes'. - (Related) Aaykar Setu: CBDT's mobile app to pay Income Tax.
CASS	- Computer Assisted Scrutiny Selection - Income Tax Department uses it to select cases for raid/prosecution.

24.11 🍌 DIRECT TAX CODE (DTC) TASK FORCE (2017-2019)



- ⇒ 2017: Finance Ministry setup this taskforce under CBDT member **Arvind Modi**. Later, he retired so another CBDT member **Akhilesh Ranjan** was made Chairman.
- ⇒ Taskforce had noted IRS officer, Chartered Accountant, Tax Lawyer, Corporate Consultant etc.
- ⇒ While Government did not disclose full report in public domain, but according to journalists, it contains following suggestions:
- Replace the Income Tax Act 1961 with a simpler Direct Tax Code (प्रत्यक्ष कर संहिता).
 - Reduce the corporation tax further. निगम करों में और कटौती की जाए
 - Tax rates for domestic and foreign companies should be same. This will encourage ease of doing business in India. (भारतीय और विदेशी कंपनियों पे एक समान निगम कर लगे ताकि व्यापार में सुगमता)
 - Give additional tax relief for the startup companies. (More in Pillar4B)
 - Increase the number of tax slabs from present three (5%,20%,30%) to four (10%, 20%, 30% and lastly 35% for super-rich earning ₹ 2 crore />).
 - Abolish Dividend Distribution Tax (DDT). [which is actually done in 📁 Budget-2020]
 - Setup Litigation Management Unit to look after the tax related court cases in an efficient manner. (मुकदमों की प्रबंधन इकाई बनाई जाए ताकि कराधान के केसों का प्रभावी रूप से निपटारा हो सके)
- ++ many other reforms, but poor cost:benefit chasing them. #थोड़ा-पढ़ो-आगे-बढ़ो

24.11.1 🍌 Tax harassment ↓ in 📁 Budget-2024-July (कर-उत्पीड़न में कमी की जाएगी।)

- TDS rates reduced for some types of transactions. (ref 2A1 to learn TDS theory.)
- Will not open very old cases. (बोहोत पुराने मामलों को वापस खोलके करदाताओं को परेशान नहीं किया जाएगा।)
- Vivad se vishwas (out of court settlement for tax disputes). This scheme will be restarted. (कराधान के मामलों में कोर्ट के बाहर निपटान की योजना पुनःचालू की जाएगी।)
- will replace I.T. Act with simpler act (e.g. a Direct Tax Code, DTC).

24.12 🍌 INCOME TAX BILL 2025 TO SIMPLIFY & COMPRESS THE LAW

Matter	Income Tax Act,1961	New Bill 2025
Words	5.12 lakh	2.60 lakh



- Basically, they have compressed the paragraph and converted them into tables, thereby reducing the number of chapters, sections and pages.
- Critics argue, not enough changes or reform have been made in the law itself. It is merely compressing the words

24.12.1 🍌🏠 IT Bill 2025: Notable changes

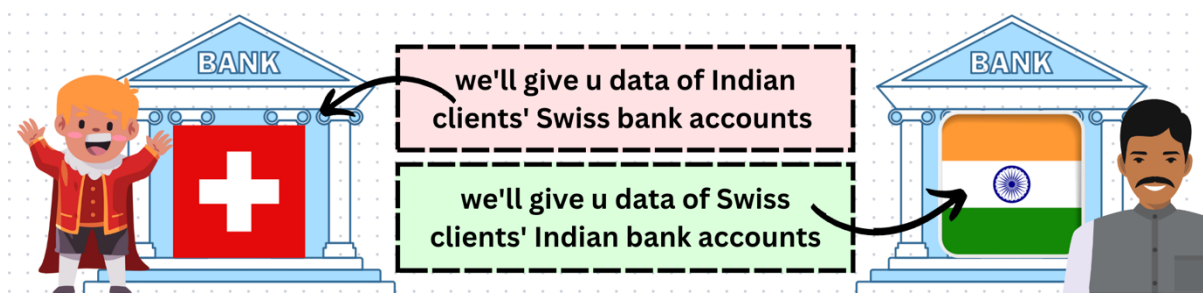
BEFORE	After
“assessment year” (AY), which assesses tax on income earned in the “previous (financial) year”. For instance, income earned in the financial year (FY) 2024–25 (April 1, 2024 to March 31, 2025) is assessed in AY 2025–26 (beginning April 1, 2025).	Replaced with a simpler concept called “tax year”. Tax Year = 12-month period beginning April 1.
old tax regime (OTR) tax slabs were written in the law.	not written.
Less clarity.	income tax officers can search & seize all types of “Virtual digital space” e.g. email servers, social media accounts, online investment, trading and banking accounts, cloud servers, and digital apps.
outdated definition of property e.g. land and building, shares, gold, jewellery, paintings, sculptures etc	Virtual digital assets e.g. bitcoins, crypto currencies, non-fungible tokens etc will also be counted as property. (=30% Capital gain tax if you sell it on profit.)

Note: More changes may happen when 🍌 Budget-2026 comes. So, I'm not putting too much effort in above note with every microscopic update at present. (11_Sep_25).

24.13 🍌🌐🤝 TAXATION → GLOBAL TREATIES, AGREEMENTS & INDEXES

24.13.1 🍌🌐🤝 Tax Information Exchange Agreement (TIEA: कर सूचना विनिमय समझौता)

- India has signed such agreements with multiple countries. It enables mutual sharing of information to detect tax avoidance and tax evasion. Example,
- 2019: India has notified a tax information exchange agreement (TIEA) with the Marshall Islands.
- From Indian side- CBDT is the the nodal agency for such agreements.





24.13.2 🌐🇺🇸 USA's Foreign Account Tax Compliance Act (FATCA-2010)

विदेशी खाता कर अनुपालन अधिनियम

- USA's FATCA Act requires foreign financial Institutions (such as Indian Banks, Pakistani Insurance Companies, Chinese Mutual Funds etc) to report the assets held by Americans.
- This helps US Tax authorities to detect tax avoidance / evasion by Americans

24.13.3 🌐 Intl.Coop: Tax Inspectors Without Borders (TIWB)

- Joint initiative by United Nations Development Programme (UNDP) and Organisation for Economic Co-operation and Development (OECD)
- For training and knowledge sharing of tax inspectors. (कर निरीक्षकों के प्रशिक्षण और ज्ञान के आदान-प्रदान)
- India is a member & we train tax officers of African country 'Eswatini' (old name: Swaziland).

AB CD MCQ. Which of the following 2 orgs are parts of TIWB? (CAPF-2024)

- (a) UNDP + ASEAN (b) OECD + ASEAN (c) UNDP + OECD (d) ILO + ASEAN

24.13.4 🌐🇮🇳 Global Financial Secrecy Index (वैश्विक वित्तीय गोपनीयता सूचकांक)

- Prepared by London based Think Tank 'Tax Justice Network (TJN)'.
- It uses 20 indicators to measure the countries on their financial secrecy, opportunities for Tax Avoidance, BEPS etc. **2022 Ranking:** 1st rank: USA> Switzerland>Singapore,...then India@36.
- Its report says India is losing over \$10 billion in taxes each year due to MNC's tax abuse.

24.14 💰 BLACK MONEY → DEMONETISATION (विमुद्रीकरण)



Definition? Demonetization is the wholesale withdrawal of currency notes from circulation. (मुद्रा-चलन में से कुछ खास किस्म की नोटों को हटा देना)

- RBI Act 1934: Every banknote is a legal tender. However, RBI Central Board can recommend the Government of India to notify specific currency note(s) should no longer be treated as legal tenders. Then FinMin → Department of Economic Affairs makes official gazette notification.
- 1946: ₹ 500 Notes demonetized; 1978: ₹ 1000, ₹ 5000, ₹ 10000 Notes demonetized.
- **2016-Nov-8th:** Public was ordered to deposit the (old) Mahatma Gandhi series currency notes ₹ 500 and ₹ 1,000 (henceforth called "Specified Bank Notes: SBN") into Banks and post-offices latest by 30th December 2016. And all the banks and post offices were ordered to deposit such SBN into RBI.
- **Specified Bank Notes (Cessation of Liabilities) Ordinance:**
 - From 31st December 2016, RBI Governor not required to honour "I promise to pay..." or exchange the SBN. Except for NRIs: deadline little bit relaxed, with certain caveats.



- Public prohibited from keeping SBN, except for research or numismatics or museum and that too in limited amount. This ordinance became Act in 2017.

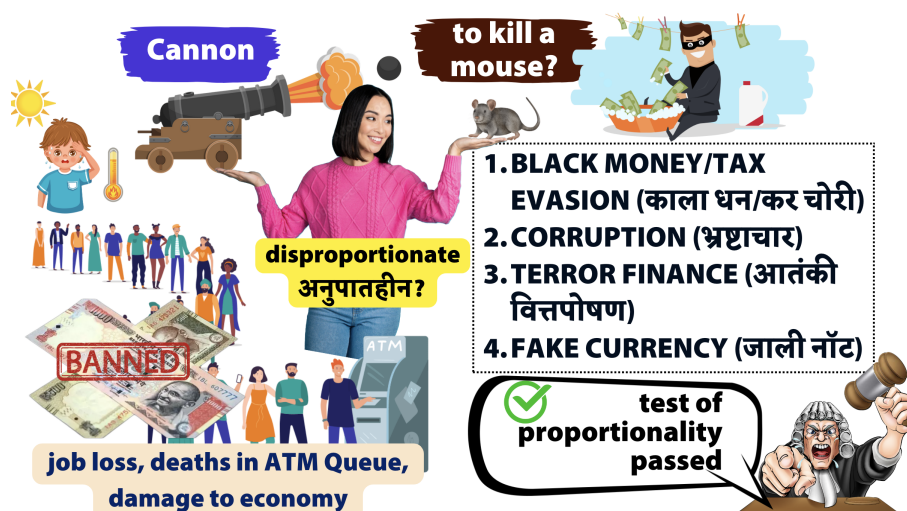
- India is not the only country in the world to do demonetisation. Sweden (2013), European Union (2016) and even Pakistan (2015) has done it for their currency notes.

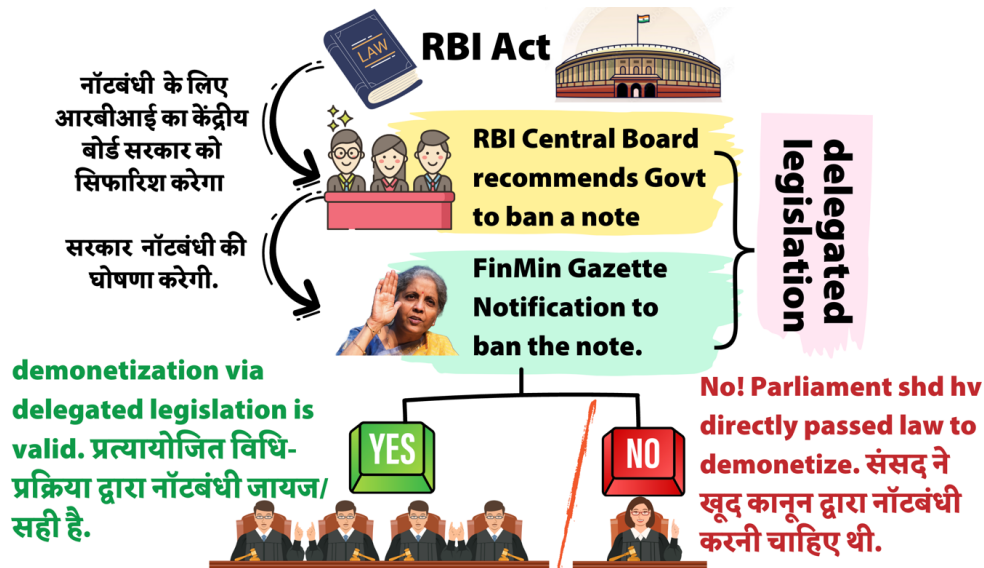
24.14.1 🗳️ Why Demonetise ₹ 500 & 1000?

- Demonetization is usually done in the aftermath of hyperinflation, war & regime-change.
- India did it to combat Corruption, Black money, Counterfeiting and Terror finance .
भ्रष्टाचार, काला धन, जाली नॉट, आतंक का वित्तपोषण
- We had 12.04% Cash to GDP ratio, one of the highest in the world. Currency printing & transportation cost alone was 1.7% of GDP.
- “Soil rate” is the rate at which notes are considered to be too damaged to use and returned to the RBI. (बिगड़े/फटे हुए नोटों को रिजर्व बैंक में बदलवाना)
- For ₹ 500 & 1000 SBN-notes, soil rate was much lower than the currency notes of ₹ 10 to 100. (implying that 500-1000 SBN were used for ‘storing black money’, rather than in transactions.)
- So, experts made mathematical comparison of the foreign countries’ economic development, soil rates of their foreign currency notes etc. and arrived at a figure ₹ 3 lakh crores of Indian black money is stored in SBN (=2% of GDP).
- So if SBN were demonetised, the black money holders will not return their currency notes into banks (fearing IT-RAIDS) and thus black money will be destroyed. (काला धन स्वयं तबाह हो जाएगा)
- But in reality, ~99.30% of the SBN were returned back into the banking system, so hardly ₹ 10,720 crore of black money was destroyed by the demonetisation of 2016.

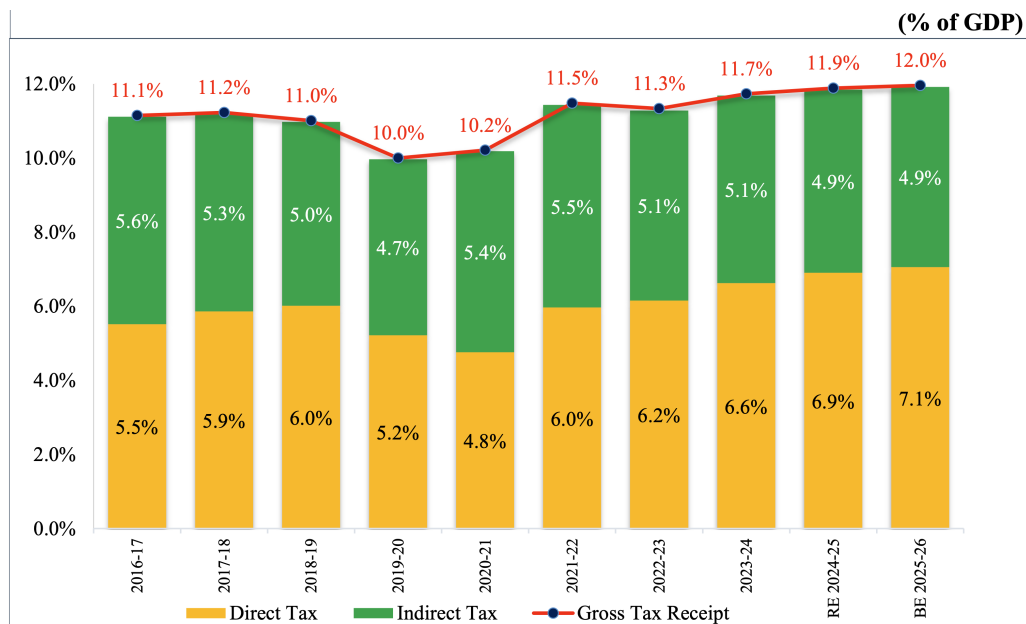
24.14.2 🗳️ Demonetisation SC Verdict

- 2016: Congress Leader P Chidambaram and many others had petitioned in SC.
- 2023: Supreme Court upholds Demonetisation In 4:1 Verdict. (सर्वोच्च न्यायालय ने सरकार के के जर्जों ने विमुद्रीकरण के निर्णय को 4-1 की बहुमति से उचित/योग्य/सही ठहराया है)





24.14.3 🍋☕ Tax: GDP – why low in India (भारत का कर:जीडीपी अनुपात खराब क्यों है?)



- 1) Lack of civic sense among people that paying taxes is a basic duty. (देश के प्रति कर्तव्य की भावना नहीं)
- 2) Presence of informal sector, parallel economy, cash based economy provides ample opportunities of hiding income. (नगदी आधारित अनौपचारिक अर्थतंत्र)
- 3) Low per capita income, high level of poverty. Concentration of income in the hands of few people- who are greedy to engage in tax evasion & avoidance. (देश की ज्यादातर संपत्ति चुनिंदा लोगों के हाथों में केंद्रित, जो लालच में कर जमा नहीं करते)
- 4) Election funding → source of corruption → black money. Politician-Builders-Mafia nexus.
- 5) Due to political considerations, state govts and local bodies do not levy all the taxes authorised by the constitution e.g. tax on agricultural income. So our (direct) tax base is narrow. [Tax base: कराधार means the total value of all the persons/income/property, etc. on which tax is charged.]



- 6) Loopholes in the tax laws encourage tax avoidance (कर कानूनों में खामियां)
- 7) Direct taxes like wealth tax, gift tax and estate duty suffered from loopholes, lax monitoring and evasion. They didn't yield much revenue. Hence even referred as 'paper taxes', and had to be abolished ultimately. (कागजी कर जिनसे वास्तव में नाम माल की आमदनी होती थी)

24.14.4 🍋🥤 Tax: GDP 📊📊 ES19: "Use Behavioural Economics to improve Tax Compliance"



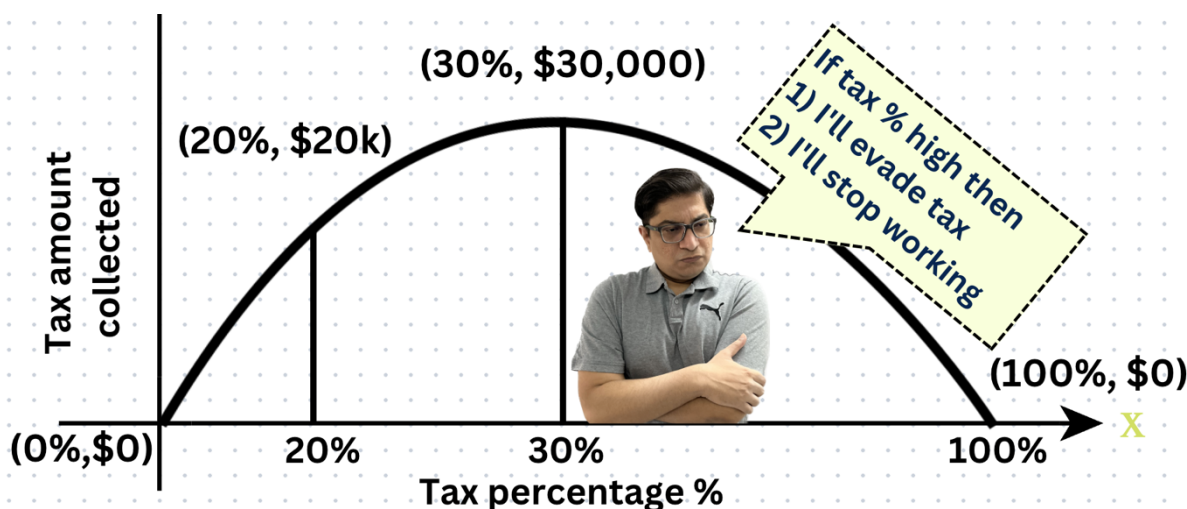
Shifted to Mains-QEP. (Above img-source: Taarak Mehta Ka Ooltah Chashmah)

24.15 🍋🌱 REVENUE SHORTFALL (राजस्व की कमी)

Revenue Shortfall happens when govt earns less tax than its original target/projection.

Amt in Crores	2019-20	2020-21	2021-22 to 2024-25	2025-26
Budget Estimate (BE)	1962761	2020926	Whatever "X"	4270233
Revised Estimate (RE)	1684059	2027104	More than "X"	wait & watch
Shortfall, if RE<BE	Shortfall of 2.78 Lcr	Surplus	Surplus	wait & watch

24.15.1 🍋 Taxation: Misc. Terms → Laffer Curve (लफ़र वक्र):



- American economist Arthur Laffer: if (direct) tax rates are ⬆️ above a certain level, then tax revenue collection will ⬇️ because higher tax rates discourage people from working and/or encourage them to evade tax.
- So, tax-cuts could lead to ⬆️ tax revenue collections.
- 📁 Modi Budgets from 2017 onwards: The lowest Income Tax slab was cut from 10% to 5%; The corporation tax reduced, 📁 Budget-2020: new optional Income tax slabs. 📁 Budget-2025: no income tax till ₹12 lakh.
- 📁 USA Budget-2017: Corporation tax cut down from 35 % to 15%



24.15.2 🌐 Tax buoyancy & elasticity (कर लचिलाता, कर उत्प्लावकता):

Tax elasticity (कर लचिलाता):	- If first income tax slab increased from say 5% to 15%, then in absolute terms how much more IT-revenue will be generated?
--	---

- Tax buoyancy measures the degree to which tax collections increase or decrease in response to changes in GDP.
- If GDP grew by x%, then how much % Income tax collection will grow?
- E.g. if income tax collection growth rate is 11% when GDP growth rate is 10%, then Income Tax's tax buoyancy is 1.1

BOUYANCY	INTERPRETATION	EXAMPLE FROM ES23
> 1	High buoyancy. Tax collection will increase at a faster rate than the growth in GDP.	e.g. GST = 1.12
< 1	Low buoyancy.	e.g. pre-GST indirect taxes (VAT, Services Tax etc) = 0.99

24.15.3 🍌 Net Tax Revenue of the Govt (शुद्ध कर राजस्व)

Sr.	Budget → Revenue Receipts → Tax Receipts	Budget'25
A	Gross Tax Revenue = Union's Direct and indirect taxes, incl. cess and surcharge	42 lakh cr
B	Union territories without legislature: their taxes: विधानमंडल रहित केंद्र-साथित प्रदेशों के कर	10133 cr
C	Gross Tax Revenue (=A+B) सकल कर राजस्व	42.## lakh cr
D	Minus the Tax devolution to States (कर हस्तांतरण) as per the Finance Commission	(-) 14 lakh cr
E	Minus Contributions to National Disaster Response Fund in Home ministry**	(-) 10380 cr
C-D-E	Net Tax Revenue of Union (शुद्ध कर राजस्व)	~28 lakh cr

**Public Account → National Disaster Response Fund (राष्ट्रीय आपदा प्रतिक्रिया कोष) is a statutory fund under Disaster Management Act, 2005. Previously, called National Calamity Contingency Fund (NCCF).

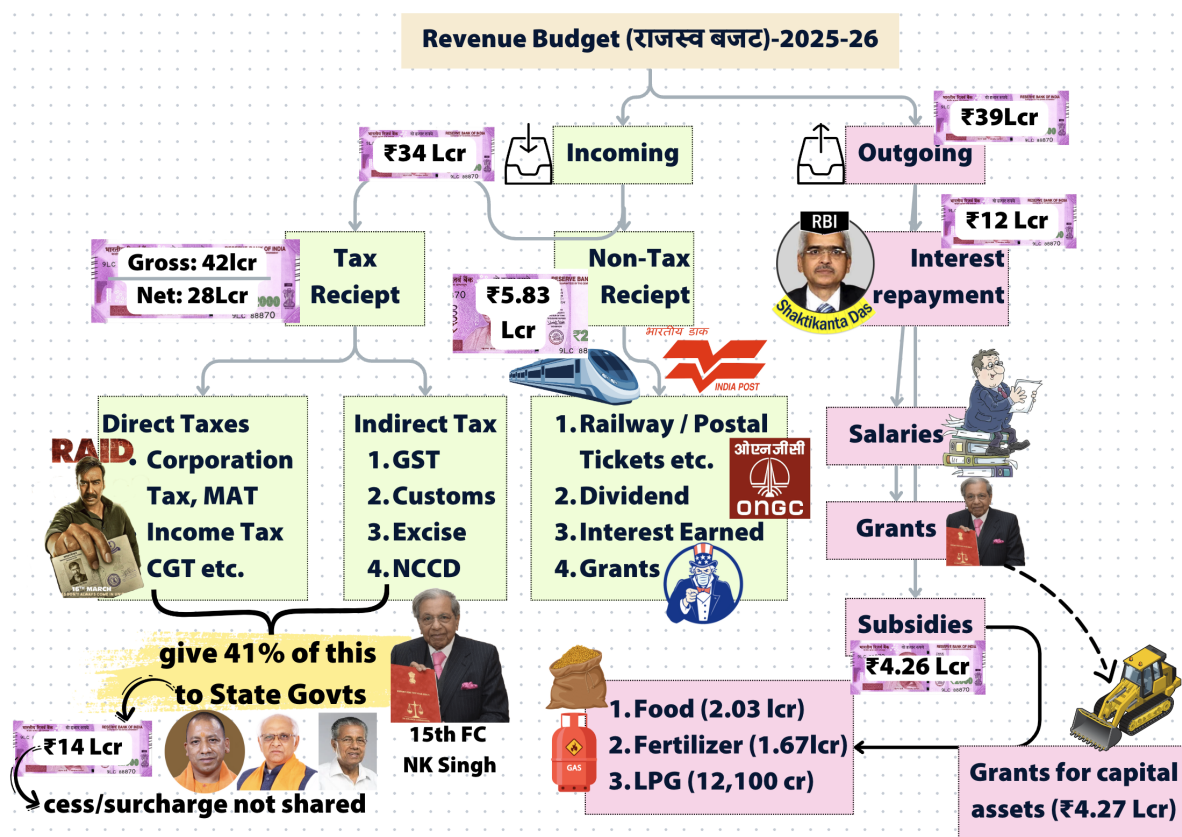
24.16 🚂🚊🚉 BUDGET → REVENUE PART → RECEIPTS → NON-TAX RECEIPTS

24.16.1 Notable components of non-tax receipt:

- ⇒ Interest receipts (ब्याज प्राप्ति) received on Union's loans to states, railways, CPSE, foreign countries.) is a revenue receipt. [Had those borrowers repaid loan-principal, then that portion is 'Capital Receipt']
- ⇒ Dividends and profits received from CPSE, PSBs, RBI. [Had Union sold its shares to a third party (disinvestment / privatization) → that's 'Capital Receipt']
- ⇒ Union's income from (Dividend & Profits) >> from Interests.
- ⇒ Income from selling various goods & services such as railways, postal services, selling of India Yearbook-, Yojana-Kurukshetra magazines, fees that CISF charges for giving protection to Private Airports, auction of spectrum & mining rights, selling of commemorative coins etc.
- ⇒ Grant in Aid (अनुदान)/ Donations received by Union.
- ⇒ [If Union had received 'loan', it'll be 'Capital Receipt']



⇒ Similar Non-tax revenue earned by UT without Legislature



25 BUDGET → REVENUE EXPENDITURE (राजस्व खर्च/ व्यय)

- Expenditures spent on day to day functioning of the organs of the state =
 - salaries & pensions, stationery, electricity bill, phone bill etc.
 - in Executive, Judiciary, Legislature, Constitutional & Statutory bodies.
- Expenditures that do not create income generating assets or permanent assets or financial assets.
- Thus, money SPENT on loan-interests, subsidies, scholarships, grants etc. counted here

Notable Revenue Expenditures

- Interest to be paid on previous loans is Revenue Expenditure.
- It is the **highest** in size, among the revenue expenditures.
- [Note: When union repays loan-principal, its 'Capital Expenditure'].

- Finance Commission's Grant-in-Aid (अनुदान) to States & Local Bodies for Disaster Management, Panchayati Raj Development etc.
- **Grant** = Amt doesn't have to be returned with Interest. (Whereas If Govt gave 'loans' to States/CPSE/Foreign Countries then it's an income generating financial asset = counted under Capital Expenditure).

Subsidies: 1) 🌾 Food subsidies, 2) 🧑🌾 Fertilizer (Urea, Others), 3) 🚰 Fuel (LPG, Kerosene) 4) Interest Subsidies on loans: Farmers (highest), MSME, Affordable Housing, LIC Vay Vandana Yojana etc.: 5) Other (Price stabilization fund, Cotton & Jute etc.):



👤 Pension to retired employees (who belong to old pension scheme-walli generation.)

- Economic services related revenue expenditure (Agriculture, energy, transport, communication, Science technology)
- Social services' revenue expenditure (health, education, social security):
- Expenditure on Administrative machinery (Police, Jail, External Affairs etc.), Elections, Parliament, Judiciary:
- 🚒 Defence revenue expenditure (e.g. soldier salaries, fuel for tanks)
- Revenue expenditures of UT without Legislature:

AB CD MCQ. As per the Budget 2019-20, the maximum subsidy expenditure was likely to be on _ _ _ (CDS-2020-ii) (a) urea subsidy (b) petroleum subsidy (c) food subsidy (d) fertilizer subsidy.

AB CD MCQ. Which items comprises the major portion of the revenue expenditure? (CDS-2024-2) (a) Salaries (b) Interest Payments (c) Roads (d) Defence Services.

25.1 🚚🕒🌱📦 REVENUE EXPENDITURE → SUBSIDIES

Tax	Subsidies
<i>Tax is a compulsory contribution imposed by State. Refusal to pay the tax is punishable.</i> कर= राज्य द्वारा लगाया जाने वाला कर एक अनिवार्य योगदान है। करचोरी एक दंडनीय अपराध	A subsidy is a benefit given to an individual or firm by the government to reduce some type of burden. A person may refuse to accept the subsidy, he will not be punished.
Tax doesn't promise specific and direct goods/services to the taxpayer. (Mukesh Ambani's car will still suffer from potholes)	A specific benefit is promised e.g. 6000 to farmers, idli@₹ 1 rupee in Amma Canteen (Tamilnadu).

		2023-2024 वास्तविक Actuals	2024-2025 बजट अनुमान Budget Estimates	2024-2025 संशोधित अनुमान Revised Estimates	2025-2026 बजट अनुमान Budget Estimates
amt in ₹cr					
पेंशन	Pension	238328	243296	275103	276618
रक्षा	Defence	444699	454773	456722	491732
सब्सिडी -	Subsidy -				
उर्वरक	Fertiliser	188292	164000	171299	167887
खाद्य	Food	211814	205250	197420	203420
पेट्रोलियम	Petroleum	12240	11925	14700	12100

25.1.1 🚚🕒🌱📦 Types of subsidies with selected examples

- Given in direct cash (or bank transfer):** PM KISSAN 6k for farmers, LPG Pahal ~200 per cylinder. नगद में.
- Given in kind:** free school bags, uniform and books to the poor children, free medicines in public hospitals, free insurance. मुफ्त वस्तु या सेवा के रूप में
- Indirect subsidies (परोक्ष):** cheap fees in government colleges, cheap kerosene, cheap urea, cheap crop insurance premium etc. Here govt. is paying some money to an organization so they may provide goods/services @cheap rate to the beneficiary.



4. **Implicit Subsidies** (अंतर्निहित): Govt suppresses the supply so to the prices to help a sector. E.g. Indian govt banned import of American chicken/poultry/eggs. So, shortage of chicken helps local Indian poultry industry to demand high prices from public. Here Indian poultry receiving 'implicit subsidy' (from public), even though Govt is not paying them money. (More in Pillar#3B -> WTO)
5. **Cross-Subsidization** (क्रॉस सहायिकीकरण): To keep rail travel cheap for the poor people, Railways keeps the passenger tickets lower than its input cost. To compensate this loss, Railways keeps freight (goods transport) prices higher. This is called "Cross subsidization" (More in Pillar#5 Infra → Railways)
6. **Regulatory** (नियामक) **subsidies**: e.g. if State Electricity Regulatory Commission directs companies- that electricity to farmers must NOT to be beyond ₹ "x" per unit.
7. **Procurement** (खरीद) **subsidies**: e.g. FCI purchasing at food grains from farmers at minimum support price (MSP). (More in Pillar#4A -> AGRO)
8. **Interest** (ब्याज) **subsidies / subvention**: govt pays "x%" interest on agriculture, MSME, affordable housing loans.

25.1.2 **Impact of Subsidies** (सब्सिडी का प्रभाव: सकारात्मक एवं नकारात्मक)

- **Merit Goods** (लाभदायक वस्तुएँ): Healthcare, education, scientific research, LPG, solar panels, wind mills etc. Here subsidies can increase the positive externalities. (Cheap LPG → poors don't use firewood → more trees & less indoor pollution.)
- But subsidies on diesel, kerosene = **negative externalities** (नकारात्मक बाह्यता) on environment.
- Urea subsidies to industries → cheap urea to farmers → excessive consumption → soil & water pollution, algae-blooms. (यूरिया उर्वरक का अत्याधिक उपयोग जमीन पानी में प्रदूषण)
- **Subsidy leakage**: When **ghost** beneficiaries (non-existent persons propped up by corrupt officials), and **ineligible** (rich) people are receiving subsidy. (सब्सिडी रिसाव, धांधली और गबन)

25.1.3 **Past Economic Surveys on subsidy delivery JAM/DBT** (आर्थिक सर्वेक्षणों के उपाय) Shifted to Mains Handout.

25.1.4 **National Recruitment Agency (NRA: राष्ट्रीय भर्ती एजेंसी, 2020)**

- **Problem**: multiple recruitment exams conducted by multiple agencies at different points of time throughout the year..
- **Solution**: NRA to conduct Common Eligibility Test for recruitment to Non-Gazetted personnel in Government and PSBs. → SSC and IBPS will conduct Mains exams for respective posts → time and cost saved for both candidate and recruiting agencies.
- Budget-2020: we'll set up NRA & open a (computerized) test centre in every district.
- **Self-Study-Topics for GSM2/GSM4**: 1) Lateral entry in IAS. 2) Three years tour of duty in Army. Source? Internet / Current Affairs PDF/Lectures.



MCQ. Find correct about National Recruitment Agency? (CDS-2024-2)

- (a) It is a body to conduct Common Eligibility Test (CET) to shortlist the candidates for vacancies under 'Group B' and 'Group C' of the Government.
- (b) Employment in private sector is facilitated in all the districts, particularly 117 aspirational districts. (c) It was set up in 2014. (d) It has been accorded constitutional status in 2021.

25.1.5 Revenue xpdr → Salaries → 7th Pay Commission (वेतन आयोग)

Setup by Finmin → Dept of Expenditure. 1st: Srinivasa Varadachariar (1946). 7th: (Retd) Justice AK Mathur (2014). Its recommendations became effective from 1/1/2016. Major highlights were:

- ✓ New system of “Pay Matrix” instead of previous system of pay band and grade pay.
- ✓ Regulatory bodies salaries increased: Chairman ₹ 4.50 lakh / month, members ₹ 4l.
- ✓ Minimum pay in Central service increased to ₹ 18k / per month (Group-D).
- ✓ Maximum pay: ₹ 2.25 lakh per month for Apex scale (e.g. Secretary of a Dept.), and ₹ 2.50l (for Cabinet Secretary)
- ✓ It adopted Dr. Aykroyd formula to compute wages at periodic interval (formula tracks the changes prices of the commodities used by a common man).
- ✓ So, critiques believe there will not be an 8th Pay Commission because salaries will be updated automatically at regular interval, using this formula.
- ✓ Various reforms for defence and CAPF services. (सशस्त्र सेना /केंद्रीय पुलिस बल के लिए सुधार)
- ✓ stronger rules in Modified Assured Career Progression (MACP) system so lazy officials don't get promoted. (आलसी और निकम्मे अफसरों की पदोन्नति को रोका जाए)

25.1.6 Revenue xpdr → Salaries → 8th Pay Commission in Budget-2025:

- name of the chairman yet to be announced (as of July-2025)

25.1.7 Pay Commission: Dearness Allowance (DA: महंगाई भत्ता)

- Dearness Allowance (DA): It is an allowance given by government to (serving/non-Retired) central government employees to protect them against the inflation. (नौकरीशुदा कर्मियों को)
- Dearness Relief (DR): It is an allowance given by government to RETIRED central government employees to protect them against the inflation. (निवृत्त कर्मियों को)
- In 2020- Union govt had frozen DA&DR because Govt was struggling with money for Corona relief. 2021-July: Govt resumed paying & DA&DR from 17% to 28%. कोरोना-वर्ष में सरकार ने सरकारी कर्मचारियों को महंगाई भत्ता नहीं दिया, क्योंकि सरकार को खुद ही पैसों की किल्लत थी, लेकिन अब वापस शुरू कर रही है.

25.1.8 Bonus to govt employees

Bonus is occasional extra money given to employees in addition to normal salary. (वेतन के अतिरिक्त कभी कभी कुछ और पैसा दिया जाए)

Productivity Linked Bonus (प्रदर्शन आधारित)	Non-Productivity Linked (=ad-hoc)
• e.g. how many files did employee clear?	e.g. Diwali Bonus. It doesn't matter if



✓ Productivity Linked Bonus (प्रदर्शन आधारित)	Non-Productivity Linked (=ad-hoc)
• how many trees did forest-guard plant? • did employee improve the sales in postal dept/railways etc?	employee worked hard or not for the entire year.

25.1.9 🤔 Pay Commission: Misc. terms

- **House Rent Allowance (HRA: मकान किराया भत्ता):** rent allotted by the employer for employee's accommodation (house).
- **Gratuity (ग्रेच्युटी):** It's a lump sum amount "x" given by an employer to the employee for rendering services continuously for "y" number of years. Usually given at retirement. Norms governed under Payment of Gratuity Act, 1972
- **One Rank One Pension (OROP):** 2015- Modi govt. promised equal pension to military personnel retiring in the same rank with the same length of service, regardless of the date of retirement. Some, Ex-servicemen unhappy about the base year & calculation formula.

25.1.10 NEXT Handout: Pillar2D 📅 BUDGET → CAPITAL → RECEIPTS & Expenditure

- 2A) ✓ Direct Taxes [✓ 2A2-Indirect Taxes & GST]
- 2B) ✓ Black Money, 15th FC
- 2C) ✓ Subsidies, Salaries, Revenue Expenditure (present within this HDT)
- 2D) Disinvestment, Deficit, FRBM Act, Fiscal Council, Budgeting-Railway budget, plan-non plan budget, & scheme types etc.



Pillar#2D: Disinvestment to Deficit to Budget & Scheme Types

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26 BUDGET → CAPITAL → RECEIPTS

Capital Debt Receipts पूंजीगत ऋण प्राप्तियाँ	Capital Non-Debt Receipts: गैर-ऋण पूंजी प्राप्तियाँ
Internal Borrowing: आंतरिक ऋण - From RBI, - From market (Banks, NBFCs) - From small savings (Post-Office Savings Accounts, Kisan Vikas Patra, etc) Ref#1D. - From Provident Funds (EPFO, PPF)	Loan Principal recovered (i.e. Union government would have given loans to state governments, foreign countries, public sector companies etc.) so when they return Principal amount back that is counted here. (मूलधन की बरामदगी)
External borrowing: from foreign countries & international institutions like IMF World Bank, BRICS bank etc. बाह्य / विदेशी ऋण Bigger portion of Capital Receipts from this side	Disinvestment (विनिवेश) i.e. Union selling its shares from Public Sector Undertakings (PSUs) / Central Public Sector Enterprises (CPSEs). Smaller portion

MCQ. Which of following is not a component of 'Capital Receipts'? (IEnggS-2018)

- (a) Market borrowings including special bonds
 (b) External/foreign loans raised by the Central Govt (c) Taxes on property and capital transactions
 (d) Provident Funds (State Provident Funds and Public Provident Fund)

MCQ. Find capital receipt of the Govt of India? (CAPF-2024)



1. Disinvestment receipts 2. Interest receipts 3. Small savings 4. Net market borrowing.

Codes: (a) 1 and 3 only (b) 2 and 4 only (c) 1, 2, 3 and 4 (d) 1, 3 and 4 only.

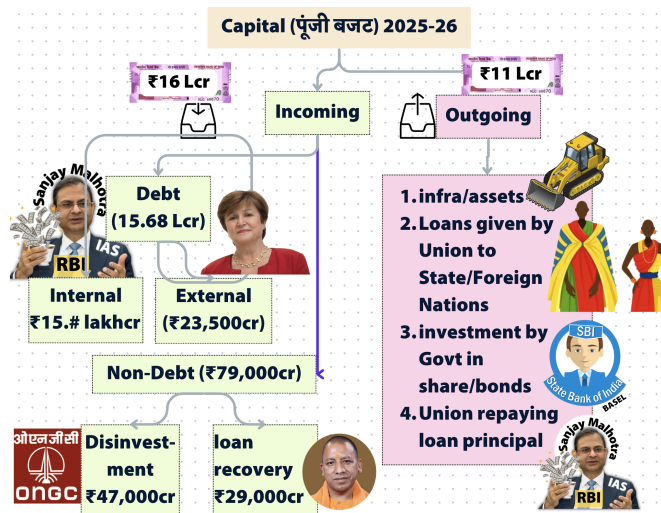
MCQ. Find Correct (Pre'25)

I. Capital receipts create a liability or cause a reduction in the assets of the Government.

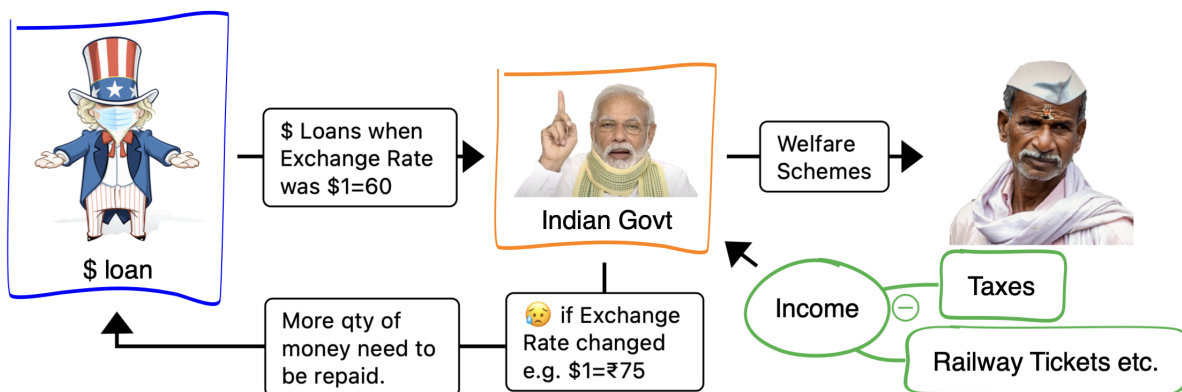
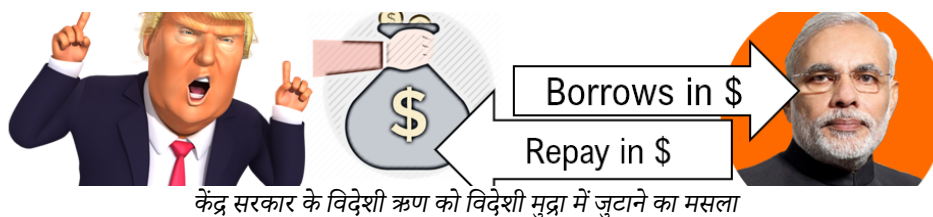
II. Borrowings and disinvestment are capital receipts.

III. Interest received on loans creates a liability of the Government.

Codes: (a) I and II only (b) II and III only (c) I and III only (d) I, II and III



26.1.1 Foreign Borrowing in Foreign Currency



Introduction (Origin): In the Budget-2019, FM Nirmala S. announced, "India's sovereign external debt to GDP is among the lowest (~5%). The Govt would start raising a part of its borrowing programme in external markets in external currencies."

😊 Arguments in favor (समर्थन)	😞 Against (प्रस्ताव के विरुद्ध)
1. In domestic market, the 'crowding out of private corporate borrowers'	1. Exchange Rate Risk (विनिमय दर का जोखिम): If rupee weakens against the dollar during the bond's tenure



😊 Arguments in favor (समर्थन)	😞 Against (प्रस्ताव के विरुद्ध)
will decline. (📄 more in 2D:Fiscal Deficit) 2. Corporates will be able to mobilize more funds from local market → factory expansion, jobs, GDP growth ↑ ↑ 3. In the advanced economies such as USA, EU: the loan interest rates are very low, so our Indian govt may be able to get cheaper loans. सस्ते ब्याज पर 4. If we borrow a little more from external sources it won't harm. थोड़ा सा ऋण अगर विदेशों से विदेशी मुद्रा में ले लिया तो कुछ जोखिम नहीं	(\$1: ₹ 60 → ₹ 70), the government would have to return more rupees to pay back the same amount of dollars. Then the loan may turn out to be 'more expensive' than originally anticipated. 2. It's true that presently Indian Govt's external borrowing is very low, but once this 'door' is opened, subsequent govts may get tempted to borrow more and more from the foreign sources to finance their (populist) welfare schemes, ultimately it can result into crisis when rupee gets weaker. लोकलुभावन योजनाओं के लिए विदेशी ऋण लेने की सरकार को लत लग सकती है 3. Better to ↑ ↑ the foreigners' investment limit in G-Sec (in ₹ currency) and attract them to come to India, rather than we going 'abroad' to get their money in \$ currency.

Conclusion: whether we should borrow in foreign currency or not?

⇒ 🙅 (Against) From the aforementioned analysis, it's evident that challenges outweigh the potential benefits. Noted economists such as Dr. Raghuram Rajan are apprehensive about sovereign borrowing from external markets in foreign currency. Therefore, this idea, though well-intended, requires more deliberation. (इस प्रस्ताव में फायदे कम नुकसान ज्यादा दिख रहे हैं इसलिए इरादा नेक है लेकिन इस पर ज्यादा विमर्श की आवश्यकता है)

⇒ 🏠👍👍=👍 (In favor) Considering above points, sovereign borrowing from external markets in foreign currency may not be a bad idea, provided that it's done in a judicious and prudential manner. (यह प्रस्ताव बुरा नहीं है, विवेक पूर्ण रूप से लागू करना चाहिए)

26.1.2 🏠👍👍🏠 Budget: Foreign/ external Borrowing DATA

Amt in ₹Cr	2022-2023	2023-2024	2024-2025	2025-26
External Debt	37,124	24,832	32,000	23500 cr

📖 ES23: Majority of foreign debt taken by Indian Govt is ₹ Currency. So need not worry much.

26.2 🧑🏠📈👤 BUDGET → CAPITAL RECEIPTS → DISINVESTMENT: विनिवेश

There are THREE types of Commercial or industrial undertaking owned by the govt:

📧 Departmental Undertakings विभागीय उपक्रम	🏛 Statutory Corporations वैधानिक निगम	🏢 Govt. Companies सरकारी कंपनिया
Directly part of a ministry e.g.	Created by an act of Parliament	Registered under the



 Departmental Undertakings विभागीय उपक्रम	 Statutory Corporations वैधानिक निगम	 Govt. Companies सरकारी कंपनिया
Postal, Railways, They can be created easily because, no laws required, no Companies Act registration required	or state legislature. E.g. RBI Act, SBI Act, LIC Act, FCI Act, EPFO Act. etc, SIDBI, NABARD, NHB, EXIM etc.	Companies Act, Govt's shareholding is 51% or more.Coal India ltd, GAIL, SAIL, NTPC, IOCL, BHEL & various Public Sector Banks and NBFCs which are not statutory corporations.
Risk aversion by officers.  High level of ministerial interference (मंत्री की दखल ज्यादा)	 Middle of both sides	More operational flexibility to officers. Less interference by Ministers
CAG will audit directly [भारत के नियंत्रक और महालेखा परीक्षक स्वयं विभागीय उपक्रम के हिसाब किताब का लेखा परीक्षण करेंगे]	Some of these Acts provide for internal audit & exclude CAG from auditing the Corporation. E.g. RBI, LIC.	Companies Act requires them to produce audited reports. CAG will empanel the (private) auditors for them.
Their earning will go directly in Public Account / CFI	Their earning → profit → dividend goes to shareholders.	
All three types of org are Answerable under the Right to Information Act, 2005 सूचना अधिकार कानून/ अधिनियम के अंतर्गत इन सभी संस्थानों ने जानकारी देनी होगी		
Their employees are considered government employee-subjected to service and discipline rules framed by the government.	Not considered govt employees. Their service / discipline conditions are governed by the respective organizations' internal manuals. सरकारी कर्मियों वाले सेवा और अनुशासन/शिस्त के नियम इनके कर्मियों को लागू नहीं होते.	

⇒ **Objective:** Public interest & welfare through affordable services, Development of infrastructure, regional balance, prevent concentration of economic power in the hands of Corporates /MNCs.
(उद्देश्य: जन हित में सस्ती सेवाएं, बुनियादी ढांचा, विकास में क्षेत्रीय संतुलन, बहुराष्ट्रीय कंपनियों के हाथों में आर्थिक शक्ति की केन्द्रीकरण रोकना)

⇒  **Challenges?** Political interference, lack of innovation & consumer responsiveness, employee unions, loss making business. (राजनीतिक हस्तक्षेप, नवाचार की कमी, उपभोक्ता के प्रति जवाबदेही कम, कर्मचारीओं को काम से ज्यादा यूनियनों-बाजी और हड़ताल में लिप्त रहेना, घाटे में चलना)

26.2.1 CPSE vs PSU vs PSB

⇒ **PSB:** Public Sector Banks = Banks wherein Govt has majority shareholding.

⇒ **Central Public Sector Enterprises (CPSEs: केंद्रीय सार्वजनिक क्षेत्र के उपक्रम):** Registered in Companies act & Union Government has 51% shareholding. Commonly known as 'Govt companies'. The word CPSE is mainly used to denote "govt companies other than Public Sector Banks, Public Sector Insurance Companies and Public Sector NBFCs".



⇒ **Public sector Undertaking (PSU: सार्वजनिक क्षेत्र के उपक्रम)** = collective term for all the govt companies owned by Union Govt + State Government + Local Bodies.

👉 **Note:** Some book/internet may differ in this definition. But we need not loose sleep over pedantry.
शब्दभेद में पांडित्य वाली बाल की खाल निकालने की कोई जरूरत नहीं है।

26.2.2 🏆 Ratna Companies = freedom to govt companies based on performing

⇒ Ministry of Heavy Industries & Public Enterprises → its Department of Public Enterprises (DPE) decided Ratna Status. 2021: DPE shifted to Finance Ministry (REF: Handout #2A for more).

⇒ 🙅 This is NOT for private owned companies like Tata, Infosys or Adani.

⇒ “Ratna” status-walli Govt Companies are given for the flexibility in their operations e.g. hiring more professionals, acquisition of other companies etc. without requiring government approval for every small decision. (अच्छा प्रदर्शन करने वाली सरकारी कंपनियों को अपनी कार्य रीति के लिए स्वतंत्रता देना. हर छोटी चीज के लिए सरकार से अनुमति लेना जरूरी नहीं)

Category	Condition and examples
🏆 Miniratna Cat-I and Cat-II	✓ made profits in the last 3 years continuously, further subdivision in Category-I & Category-II depending on how much profit is generated. ✓ Examples: National Film Development Corporation Ltd, Mazagaon Dock Ltd, Mishra Dhatu Nigam, NHPC Ltd, WAPCOS, ONGC Videsh, Rail Vikas Nigam
🏆 Navratna	✓ A Mini Ratna company fulfilling “x” conditions OR ✓ Non-Mini Ratna Govt companies fulfilling “y” conditions such as Manpower cost to total cost of production etc. ✓ Examples: Rashtriya Ispat Nigam Ltd, Rural Electrification Corporation Ltd, Shipping Corporation of India Ltd, Oil India Ltd, National Aluminum Company Ltd, Neyveli Lignite Corporation Ltd, Mahanagar Telephone Nigam Ltd, Hindustan Aeronautics Ltd, Container Corporation of India Ltd, Bharat Electronics Ltd,
🏆 Maharatna	✓ Already a Navratna Company+ fulfilling “z” conditions such as min. ₹ 5000 crore profit per year in last 3 yrs, listed at a Stock exchange, significant global presence ✓ Very few here: 1)Bharat Heavy Electricals, 2)Bharat Petroleum Corporation, 3)Coal India, 4)GAIL (India), 5)Hindustan Petroleum, 6)Indian Oil Corporation, 7)NTPC, 8)Oil & Natural Gas Corporation (ONGC), 9)Power Grid Corporation, 10) Steel Authority of India (SAIL)

👉 Above Ratna examples taken on 1/1/2020. List may change afterwards. Some companies get privatized. Don't loose sleep, unless preparing for their specific recruitment exam. e.g. ONGC

✓ 🚩🙄 **FAQ. Are Public Sector Banks (PSB) given Ratna Status?** Ans. No. While PSBs are a subset of Government companies but Ratna status is for CPSEs who are NOT PSBs.

✓ 🚩🙄 **FAQ. Are Statutory Corporation like LIC, EPFO etc given Ratna Status?** Ans. No. It's for Central Govt's companies only. It is not for statutory corporation.

✓ 🚩🙄 **FAQ. Are State Govt's Govt Companies given Ratna Status?** Ans. No. It is for Central Govt owned companies only. ये सिर्फ केंद्र सरकार की सरकारी कम्पनियों के लिए है

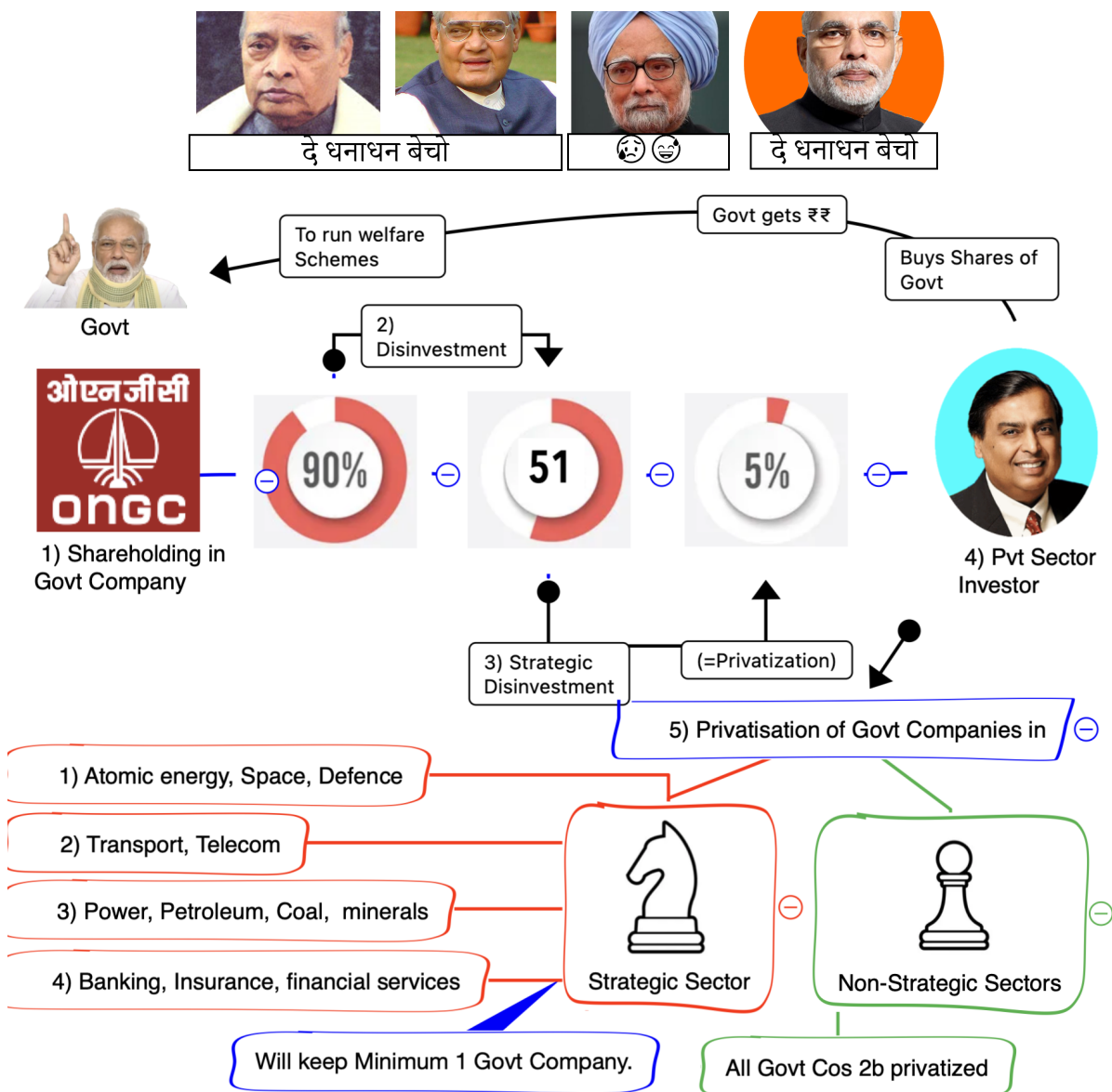


- ✓ 📌 FAQ. Are Private sector Companies like Tata/Reliance given Ratna Status? Ans. No. It is for Central Govt owned companies only. भाई ये सिर्फ केंद्र सरकार की सरकारी कम्पनियों के लिए है. इतनी आसान और सीधी सी बात को आप क्यों जटिल कर रहे है!?

AB CD ? MCQ. Which among the following is designated with 'Navratna' status? (CDS-2021-i)

- (a) Indian Oil Corporation Limited (b) Gas Authority of India Limited
(c) Bharat Petroleum Corporation Limited (d) Bharat Electronics Limited

26.2.3 🗳️✂️👤 Government policy towards disinvestment before 2021

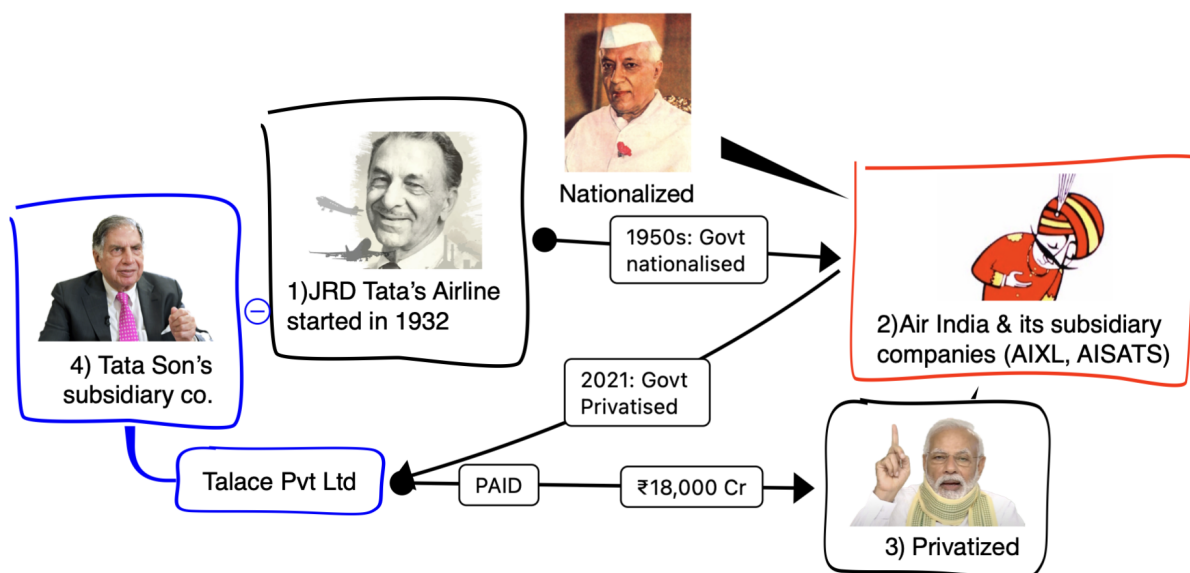


⇒ **Disinvestment:** ↓ ↓ govt shareholding in a Government company but govt keeps atleast 51% shareholding with itself.

⇒ **Privatization / Divestment / Strategic Disinvestment** (निजीकरण/रणनीतिक विनिवेश): When govt sells upto 50 per cent or more shareholding, along with transfer of management control. (Definition as per [DIPAM Dept](#))



- ⇒ **Arguments in favour:** ↓ ↓ govt shareholding → Private investors will enter in the board of directors → ↑ ↑ efficiency, innovation and autonomy. दक्षता, नवाचार स्वायत्तता
- ⇒ Disinvestment proceeds can be used for welfare schemes, and ↓ ↓ fiscal deficit.
- ⇒ **Argument Against:** MNC monopolies, exploitation of worker, job loss.



Year	Nationalization and Disinvestment related developments
1951	✓ First Constitution Amendment Act: While 19(1)(g) gives citizen's right to practice any profession. But Government can impose reasonable restrictions on it for interests of general public → this allowed for nationalization of pvt industries e.g. Bank nationalization in Pillar#1B1 (सरकार जन हित में निजी कंपनियों का राष्ट्रीयकरण कर सकती है.) ✓ (🎓 NOTE: first amendment act also contain some other provisions for SEBC, 9th Schedule etc, but we are only focusing on the parts that are related with nationalization/disinvestment)
1953	⇒ 1953: Air Corporations Act: Govt nationalised nine airlines—Air India, Air Services of India, Airways (India), Bharat Airways, Deccan Airways, Himalayan Aviation, Indian National Airways, Kalinga Airlines, and Air India International ⇒ Above private sector companies were nationalised into two Public sector Enterprises I) Indian Airlines II) Air India International.
1991	The term 'disinvestment' was used first time in Interim Budget 1991. "We will reduce shareholding in all Govt Companies" - said PM Narasimha Rao.
1998's PM Vajpayee	- In strategic sector (Railways, Defense, Atomic Energy)- we'll not do disinvestment - In Non-strategic sector = we'll do disinvestment in a phased manner (गैर-रणनीतिक क्षेत्र में चरणबद्ध तरीके से विनिवेश करेंगे).



	- 1999: PM Vajpayee set up Department of Disinvestment → privatisation of Maruti Udyog, Hindustan Zinc, Bharat Aluminum and Videsh Sanchar Nigam Limited (VSNL) etc. 12 govt companies.
UPA-1 (2004-09)	Due to pressure from Leftist/Marxist coalition parties = No Disinvestment from any government companies. If a government company is sick, we will try to revive it. वामपंथी / मार्क्सवादी गठबंधन दल के चलते विनिवेश नहीं
UPA-2 (2009-14)	✓ All Govt Companies can be disinvested upto 49% = Govt will keep 51% minimum and sell remaining shares. ✓ ₹ will go to National Investment Fund (NIF, in Public Account) → used for Bank recapitalization, metro rail, nuke energy, EXIM-NABARD-RRB etc. राष्ट्रीय निवेश कोष ✓ Also launched CPSE-Exchange Traded funds (ETF): Ref Pill#1C:SEBI

26.2.4 Disinvestment & Privatization in the Modi Raj (2014-..)

- ✓ Various methods of Disinvestment, depending on the Company
 1. **Converting Private Limited Company** to public limited company and issuing Initial Public Offers (IPOs) e.g. *Indian Railway Catering and Tourism Corporation (IRCTC) and Rail Vikas Nigam Ltd (RVNL)*
 2. **Exchange Traded Funds (ETFs)**: CPSE-ETF, Bharat-22-ETF (Ref: Pillar#1C)
 3. **Institutional placement Programme (IPP)**: offer shares only to non-retail investors.
 4. **Offer for sale (OFS)**: Govt sells its existing shares to both retail and non-retail investors
 5. **Share Buyback** i.e. Govt company itself buys the shares owned by Govt, thereby decreasing Government's shareholding portion viz a viz private sector's shareholding.
- ✓ Modi govt **shut down many sick** Govt companies such as HMT watches, Hindustan Photo Film etc. (जिसे कोई निजी क्षेत्र का उद्योगपति खरीद कर चलाना नहीं चाहता था उन बीमार सरकारी कंपनियों को बंद कर दिया.)
- ✓ Budget-2016 renamed FinMin's Dept of Disinvestment into Dept. of Investment & Public Asset Management (DIPAM: निवेश और सार्वजनिक संपत्ति प्रबंधन विभाग).

26.2.5 Privatization / Strategic Disinvestment in Modi Raj

- ⇒ **Strategic Disinvestment** (रणनीतिक विनिवेश): it means selling a substantial portion of Government shareholding in a CPSEs along with transfer of management control to a private party.
- ⇒ For this action, NITI Aayog prefers to use the term 'strategic disinvestment', 'strategic sale' instead of '**privatization**', lest the opposition parties create uproar about it.
- ⇒ Sometimes, press statement also uses the word "**Divestment**" for it.
- ⇒ Budget-2022: NINL (Neelanchal Ispat Nigam Limited) will be privatised
- ⇒ ES23: Govt privatised 10 CPSEs - HPCL, REC, DCIL, HSCC, NPCC, NEEPCO, THDC, Kamrajar Port, Air India and NINL.
- ⇒ 2024: Steel Ministry sells/privatised Ferro Scrap Nigam Limited (FSNL) to a Japanese company for ₹320 crore.



26.3 🧐👤👤 → 👤👤 NEW PUBLIC SECTOR ENTERPRISE (PSE) POLICY (2021)

	Strategic sectors (महत्वपूर्ण क्षेत्रों)	Non strategic sectors
Example	1) Atomic energy, Space, Defence (परमाणु ऊर्जा, अवकाश, रक्षा,) 2) Transport, Telecom (परिवहन, दूरसंचार) 3) Power, Petroleum, Coal, other minerals (ऊर्जा, पेट्रोलियम, कोयला, खनिज,) 4) Banking, Insurance and financial services (बैंकिंग बीमा वित्तीय सेवाएं)	All the other sectors. (बाकी तमाम क्षेत्रों= गैर-महत्वपूर्ण क्षेत्रों= में जितने भी सरकारी कंपनियां हैं उन सब को या तो निजीकरण कर देंगे या बंद कर देंगे)
Will there be a government company here?	Minimum one government company will be kept. Remaining will be merged/ privatized/shutdown (महत्वपूर्ण क्षेत्रों में सिर्फ एक सरकारी कंपनी को रखा जाएगा, बाकी सभी अन्य सरकारी कंपनियों को उस में विलीन/निजीकरण/बंद कर दिया जाए)	No government company will be kept. All the Existing government companies will be privatized/shutdown.

26.3.1 🧐👤👤 → 👤👤 Disinvestment targets previous budgets:

Budget	2018-19	2019-20 to 2023-24	2023-24	2025-26
Target	80,000 cr	Big targets	50,000 cr	47,000cr
Achieved?	✅ yes	Not achieved	😞 33,000 cr	we'll see.

26.3.2 🧐👤👤 National Monetisation Pipeline (NMP 2021)

⇒ Govt initiative for selling/renting/leasing the land/building/machine/assets of CPSE/National Highways/Railways to mobilise ₹6 lakh crore by 2025. (राष्ट्रीय मौद्रिकरण पाइपलाइन = इस मुहिम के अंतर्गत सरकारी कंपनी/हाईवे/रेलवे की संपत्तियों को बेचना/किराये पर देना- इसकी मदद से ६ लाख करोड़ रुपये बटोरने हैं)

⇒ More in 📄 Pillar#5- along with other associated topics like 1) National Investment and Infrastructure Fund (NIIF) 2) National Infrastructure Pipeline / GATI Shakti initiative etc.

26.3.3 🧐👤👤 National Land Monetization Corporation (NLMC-2022)

Refer to Handout Pillar2A1- Departments of Finance Ministry.

26.3.4 🧐👤👤 Minimum Dividend Rule (2024-Nov)

- Finance Ministry requires central public sector enterprises (CPSEs e.g. ONGC) and Sarkaari-NBFCs (e.g. LIC, Power Finance Corp, etc) to pay minimum 30% of their profit as dividend.
- Note1: what about sarkaari banks like SBI/PNB? Ans. Not given in newspaper, so I did not do self-PHD/James-Bondgiri for it.
- Note2: has more terms and condition related to net worth, but poor cost benefit, memorising the exact rule.

AB CD ? MCQ. Why is Govt disinvesting its equity in the Central Public Sector Enterprises (Pre'11)



1. The Government intends to use the revenue earned from the disinvestment mainly to pay back the external debt.
2. The Government no longer intends to retain the management control of the CPSEs.

Ans Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

26.4 BUDGET → CAPITAL PART → EXPENDITURE (पूँजीगत व्यय)

बजट → पूँजीगत भाग → व्यय: Its notable components in decreasing order are:

1. Capital assets for various schemes, ministries, departments (Building, vehicles..)
2. Giving debt/equity finance to PSUs & foreign institutes, giving loans to State Govt & Foreign Govt.
 - a. **Note:** FinMin: Dept of Economic Affairs (DEA)'s Indian Development and Economic Assistance Scheme (IDEAS) gives such ₹ to foreign nations.
3. Union repaying loan principal for Internal Debts (आंतरिक ऋण का मूलधन वापस देना)
4. Union repaying loan principal for External Debts (बाह्य ऋण का मूलधन वापस देना)

26.4.1 State CAPEX Loans

⇒ Special Assistance to States for Capital Expenditure/CAPEX scheme

⇒ 2020: Union to loan interest-free 50-year loan to states. Total amount approx. ₹12,000 cr for capital expenditure like, health, rural development, water supply, irrigation, power, transport, education, urban development. (स्वास्थ्य, ग्रामीण- शहरी विकास, जल आपूर्ति, सिंचाई, बिजली, परिवहन, शिक्षा के पूँजीगत खर्चों के लिए केंद्र द्वारा राज्य सरकारों को बिना ब्याज के लोन)

⇒  **Budget-2023:** we'll give capex loans & Some of these CAPEX loans will be linked to:

- - Scrapping old government vehicles (पुराने सरकारी वाहनों को स्कैप/कबाड़ी में भेजना)
- - Urban planning reforms (शहरी नियोजन सुधार)
- - Financing reforms in urban local bodies reform so they can become financially strong enough to issue municipal bonds (शहरी स्थानीय निकायों में सुधार)
- - Housing for policemen (पुलिसकर्मियों के लिए आवास)
- - Constructing Unity Malls- Ref Pillar#3A (एकता मॉल का निर्माण)
- - Children adolescents' libraries and digital infrastructure (बच्चे किशोरों के पुस्तकालय और डिजिटल बुनियादी ढांचा/अवसंरचना)

⇒  **Budget-2024** continued giving more loans.  **Budget-2025** to gave ₹1.50 lakh cr loans.

26.4.2 Budget → Capital Part → Effective Capital Expenditure



प्रभावी पूंजीगत खर्च Effective Capital Expenditure amt in ₹ cr		2023-2024 वास्तविक Actuals	2024-2025 बजट अनुमान Budget Estimates	2024-2025 संशोधित अनुमान Revised Estimates	2025-2026 बजट अनुमान Budget Estimates
पूंजीगत व्यय	Capital Expenditure	949195	1111111	1018429	1121090
पूंजी आस्तियों के सृजन हेतु सहायता अनुदान	Grants in Aid for creation of capital assets ¹	303916	390778	299891	427192
जोड़	Total	1253111	1501889	1318320	1548282

What does above chart mean? Ans. Explained in the video lecture.

26.4.3 Capital expenditure for a Company

Capital Expenditures of a company = the amount of money invested by the company in (income generating) assets such as:

Tangible Assets भौतिक संपत्तियां	Intangible Assets अमूर्त संपत्तियां
Land, Buildings, Vehicles, Equipment	Patents for vaccines, copyright for books/music/movies/software, Brand-logo, Trade secret formulas (e.g. KFC burger, Coca-Cola),
Raw material and Unsold inventory (finished goods)	License fees (e.g Software, mining, telecom etc) (Ref: Pillar#5- Infra)
Investments made in the shares/bonds of other companies.	Clients' database / mailing list
Accounts receivable (Ref#1C)	Goodwill (Ref: Pillar#1C - eg Byjus buying Whitehall jr.)
Cash & deposits in bank account	Website domain name

We can further sub-divide these assets into current assets, financial assets, fixed assets. More of that in Pillar7: Microeconomics.

MCQ. With reference to the expenditure made by an organisation or a company, which of the following statements is/are correct ? (कंपनी द्वारा किए गए खर्च के बारे में सही वाक्य ढूँढो) (Prelims-2022)

- Acquiring new technology is capital expenditure. (नई प्रौद्योगिकी को खरीदना पूंजीगत खर्च है)
- Debt financing is considered capital expenditure, while equity financing is considered revenue expenditure. (ऋण-द्वारा वित्तपोषण को पूंजीगत खर्च माना जाता है जबकि इक्विटी/शेयर वित्तपोषण को राजस्व खर्च माना जाता है।)

Codes: (a) 1 only (b) 2 only. (c) Both 1 and 2. (d) Neither 1 nor 2

MCQ. How many of the above are considered intangible investments? (Prelims-2023)

- Brand recognition
- Inventory
- Intellectual property
- Mailing list of clients

Codes: (a) Only one (b) Only two (c) Only three (d) All four



27 TYPES OF DEFICITS: घाटे के प्रकार

27.1.1 Types of Budget- Surplus, Deficit, Balanced

- If government's income >> its expenditure it will have a **surplus budget**/ अधिशेष बजट
- If government's expenditure == its income, it will be a **balanced budget**/ संतुलित बजट
- If government's expenditure >> its income, it'll be a **deficit budget**/ घाटे का बजट

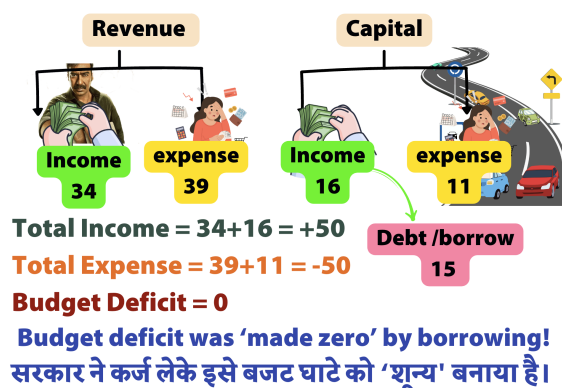
27.1.2 Yudhishthir Disclaimer on Deficit Formulas



27.1.3 Disclaimer #2 on the graphics

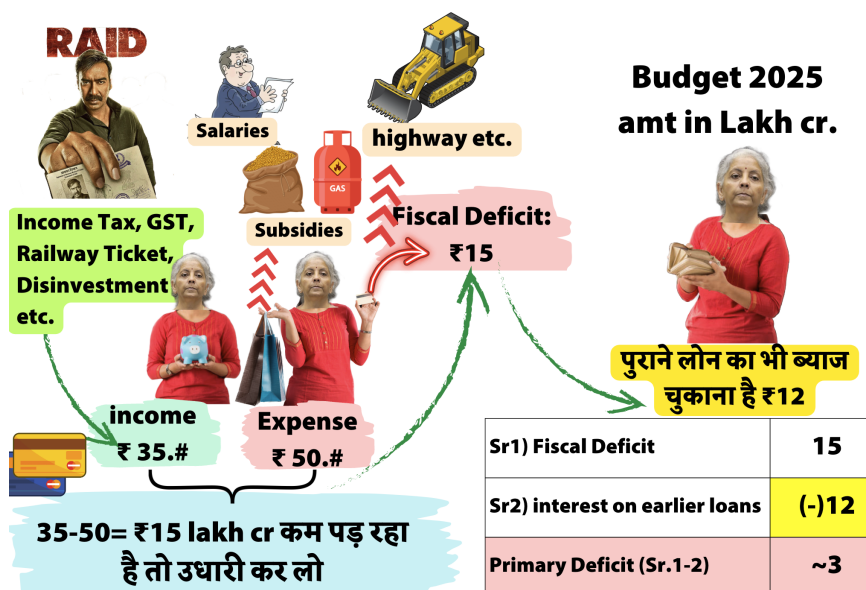
- To explain the fiscal deficit theory, I'm taking example numbers of interim-feb-budget-2024. I'm not updating these (theory explanation) graphics with latest numbers from July-budget-2024. Bcoz theory remains same. Editing graphics is time-consuming headache.
- For latest budget's deficit data, refer to the other section in the same handout / Win25.

27.1.4 Budget Deficit (बजट घाटा) example data from Budget-2025



Budget Deficit refers to the excess of total expenditure (both revenue and capital) over total receipts (both revenue and capital). From the 1997-98 budget, Govt has stopped showing budget deficit.

27.1.5 Fiscal Deficit (राजकोषीय घाटा) example data from Budget-2025



27.1.6 🧑💼 Fiscal Deficit - formula Tamilnadu Textbook

Fiscal Deficit = Budget Deficit plus Borrowing. This borrowing includes internal borrowing [such as through Small Savings Scheme, and the G-Secs subscribed by Banks/NBFCs) + Borrowing from RBI] + External Borrowing. (as per Tamilnadu TextBook & government's official calculation method)

(B) Budget Deficit

Budget deficit is the difference between total receipts and total expenditure (both revenue and capital)

Budget Deficit = Total Expenditure – Total Revenue

(C) Fiscal Deficit

Fiscal deficit (FD) = Budget deficit + Government's market borrowings and liabilities

Tamilnadu Textbook

Total Income = 34+16 = +50

Total Expense = 39+11 = -50

Budget Deficit = 0

+ Borrowing = -15

Fiscal Deficit = ₹15 lakh cr

27.1.7 🧑💼 Fiscal Deficit - formula NCERT Textbook (two formulas)

- 1) $FD = \text{Total expenditure} - (\text{Revenue receipts} + \text{Non-debt creating capital receipts})$.
- 2) $FD = \text{difference between the govt's total expenditure \& its total receipts excluding borrowing}$



Fiscal Deficit: Fiscal deficit is the difference between the government's total expenditure and its total receipts excluding borrowing

राजकोषीय घाटा: राजकोषीय घाटा सरकार के कुल व्यय और ऋण-ग्रहण को छोड़कर कुल प्राप्तियों का अंतर है।

NCERT Class12

so what is ans?

+15 Lcr

or

(-) 15 Lcr

**Answer = both are right.
depends on MCQ option.**

Total Income = 34+16 = +50

Total Expense = 39+11 = -50

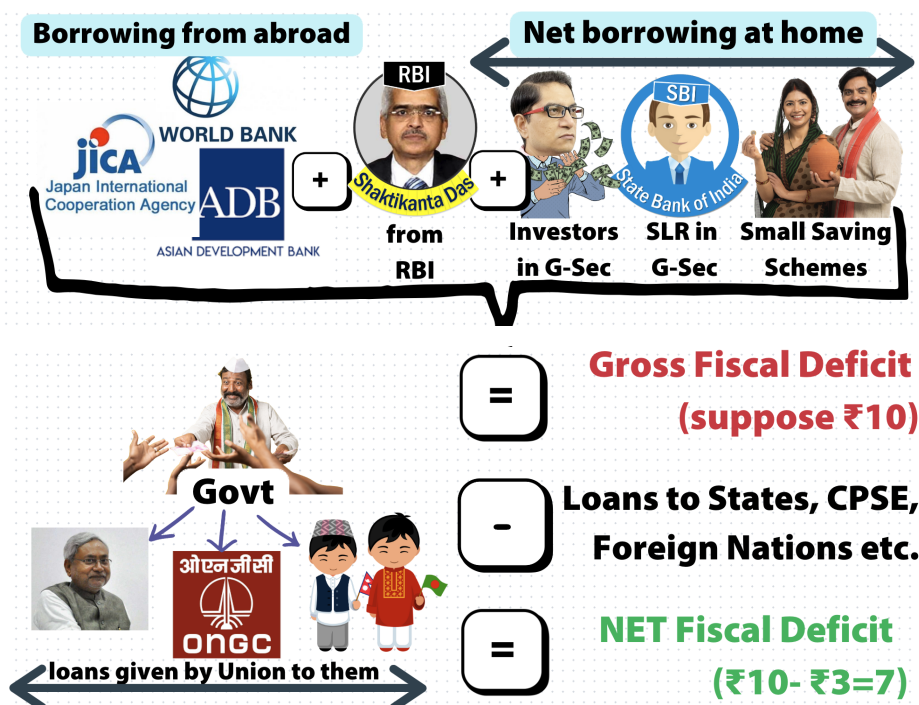
exclude Borrowing = -15

Fiscal Deficit = ₹15 lakh cr

- Fiscal Deficit related famous committee= Sukhmoy Chakravarti Committee (1997-98)

MCQ. The excess of total expenditure of Govt over its total receipts, excluding borrowings, is ____ (CDS-2021-i) (a) Primary deficit (b) Fiscal deficit (c) Current deficit (d) Capital deficit

27.1.8 **Gross Fiscal Deficit (GFD) vs NET fiscal Deficit**



➔ Gross Fiscal Deficit = Net borrowing at home + Borrowing from RBI + Borrowing from abroad (सकल राजकोषीय घाटा)

➔ Net Fiscal Deficit = Gross Fiscal Deficit (GFD) minus the net lending of the central government. (शुद्ध राजकोषीय घाटा)

FAQ: RBI is also 'at home in India' so why show it separately in formula? Ans. NCERT given it like that. so u've to prepare. NCERT didn't bother to explain "WHY" so I didn't bother to PHD.

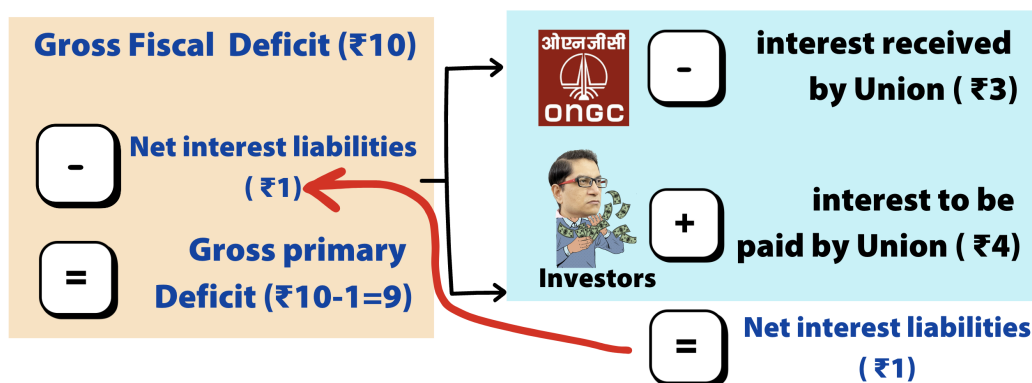


27.1.9 🧑🏫👉 Primary Deficit (प्राथमिक घाटा)

- $PD = \text{Fiscal Deficit} - \text{interest to be paid on previous loans}$ (राजकोषीय घाटे में से पुराने ऋण/कर्ज पर जो ब्याज चुकाना है उसे हटा दीजिए.)
- 1993: Finance Minister **Manmohan Singh's** budget speech mentioned it.
- If the govt continues to borrow year after year, it leads to accumulation of debt and the govt has to pay more and more interest. These interest payments themselves add more burden to borrow next year. (पुरानी लोन पर जो ब्याज चुकाना है उस रकम को घाटे की गिनती में नहीं लेना चाहिए)
- So, to get a clearer picture of how much is the government borrowing for new programs, they look at another indicator: (ताकि नए वर्ष में विकास के काम के लिए इतना वास्तविक कर्ज लिया जा रहा है उसका पता चले)

27.1.10 🧑🏫👉 Gross Primary Deficit (GPD: सकल प्राथमिक घाटा)

Gross primary deficit = Gross fiscal deficit MINUS Net interest liabilities.



➡️🧑🏫 FAQ : 1) Formula for **net primary deficit**? Ans. Similar to above. i.e. = Net Fiscal Deficit minus net interest liabilities = Net Primary Deficit.

➡️🧑🏫 FAQ : 2) difference between Primary Deficit vs Gross Primary Deficit. Ans. Read Yudhisthir disclaimer on deficit formulas.

➡️🧑🏫 FAQ : 3) Shouldn't "X" thing have Plus sign or Minus sign? Ans. Accept & memorize.

27.2 (📉<📈)🚨⚠️ REVENUE DEFICIT (राजस्व घाटा)

- ⇒ When govt spends more than its income in revenue account, it incurs ...
- ⇒ Revenue deficit = Revenue expenditure – Revenue receipts. (व्यय ज्यादा आमदनी कम)
- ⇒ Since most of revenue expenditure is 'committed' (like Interest repayment on previous loans, staff-salaries & pensions which Govt can't 'avoid'), so difficult to ↓ the revenue deficit.
- ⇒ So, when revenue deficit ↑, govt forced to borrow more money or ↓ ↓ expenditure in the capital part (= less new schools, bridges and hospitals) → ↓ ↓ human dev, and lower economic growth (less new bridges → ↓ demand of steel/cements → ↓ growth in those sectors).

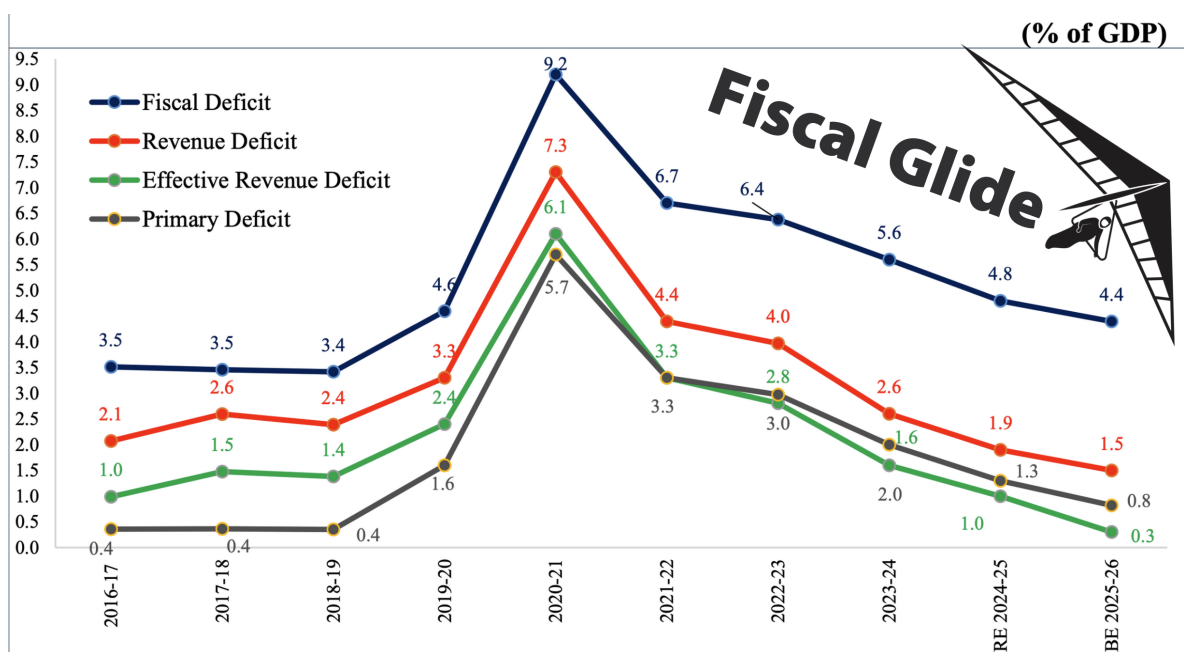
Deficit	Formula
---------	---------



Revenue Deficit राजस्व घाटा	Revenue expenditure – Revenue receipts जब राजस्व खर्च राजस्व आय से ज्यादा
Effective Revenue Deficit प्रभावी राजस्व घाटा	Revenue Deficit minus Grants for creation of capital assets

27.3 (📉🔔) EFFECTIVE REVENUE DEFICIT (प्रभावी राजस्व घाटा)

- We've counted Grant-in-Aid to States / Local Bodies as 'Revenue Expenditure', but some portion of that ₹ may have been spent by the States / Local Bodies for building Panchayat-Bhavans, Disaster Management Training Institutes, Cranes & Bulldozers for Disaster rescue operations etc. which are actually "Capital Assets". (पूंजीगत संपत्तियां)
- Therefore, Budget 2011 (Chidambaram) introduced a new concept:
- **Effective Revenue Deficit** = Revenue Deficit MINUS Grants to various bodies which were spent for creation of Capital Assets



		(In ₹ crore)			
		2023-2024	2024-2025	2024-2025	2025-2026
		वास्तविक	बजट	संशोधित	बजट
		Actuals	अनुमान Budget Estimates	अनुमान Revised Estimates	अनुमान Budget Estimates
FD = Budget Deficit + Borrowing					
FD = FD minus interest on past loans					
ERD = RD minus grants for capital assets					
15. राजस्व घाटा (10-1)	15. Revenue Deficit (10-1)	765216	580201	610098	523846
		(2.6)	(1.8)	(1.9)	(1.5)
16. प्रभावी राजस्व घाटा (15-12)	16. Effective Revenue Deficit (15-12)	461300	189423	310207	96654
		(1.6)	(0.6)	(1.0)	(0.3)
17. राजकोषीय घाटा [9-(1+5+6)]	17. Fiscal Deficit [9-(1+5+6)]	1654643	1613312	1569527	1568936
		(5.6)	(4.9)	(4.8)	(4.4)
18. प्राथमिक घाटा (17-11)	18. Primary Deficit (17-11)	590771	450372	431587	292598
		(2.0)	(1.4)	(1.3)	(0.8)



27.3.1 Fiscal glide

Fiscal glide refers to the gradual adjustment/decrease in fiscal deficit over time to maintain economic stability. (हॉले-हॉले/धीरे-धीरे घाटे को कम करना, ताकि देश की आर्थिक स्थिरता बनी रहे।)

MCQ. Find Correct Statement(s) (Asked in UPSC-Pre-2017)

1. Tax revenue as a percent of GDP of India has steadily increased in the last decade.
2. Fiscal deficit as a percent of GDP of India has steadily increased in the last decade.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

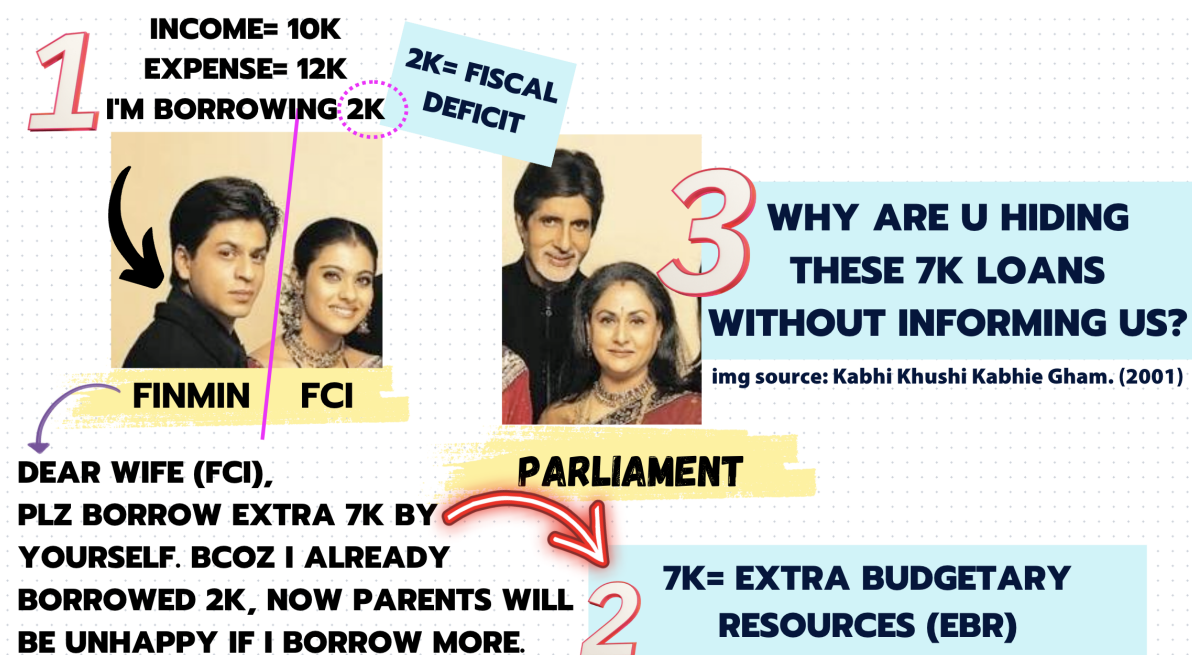
MCQ. A country's fiscal deficit stands at ₹50,000 crores. It is receiving ₹10,000 crores through non-debt creating capital receipts. The country's interest liabilities are ₹1,500 crores. Then What is the gross primary deficit? (Pre'25) (a) ₹48,500 crores (b) ₹51,500 crores (c) ₹58,500 crores (d) None

MCQ. Suppose the revenue expenditure is ₹ 80,000 crores and the revenue receipts of the Government are ₹60,000 crores. The Government budget also shows borrowings of ₹ 10,000 crores and interest payments of ₹6,000 crores. Which of the following statements are correct? (Pre'25)

I. Revenue deficit is ₹ 20,000 cr. II. Fiscal deficit is ₹10,000 cr. III. Primary deficit is ₹ 4,000 cr.

Codes: (a) I and II only (b) II and III only (c) I and III only (d) I, II and III.

27.4 EXTRA-BUDGETARY RESOURCES (बजटैतर संसाधन)

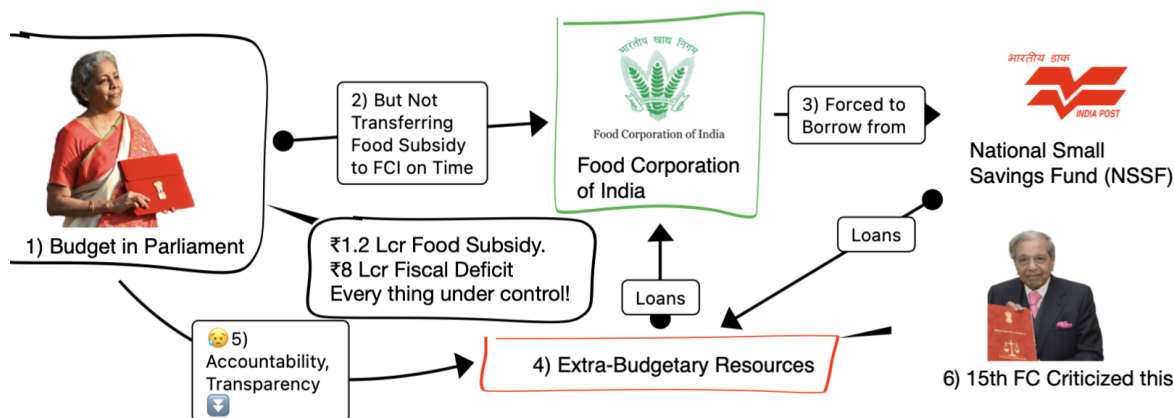


'Extra Budgetary Resources' (EBR) or 'Off-budget resources' are loans taken by public sector undertakings and Government organizations. (सरकारी निगम संस्थानों द्वारा कर्ज लिया जाना) For example,

- ✓ Govt not releasing food subsidy to Food Corporation of India (FCI) & (thereby forcing) FCI to borrow money from National Small Savings Fund (NSSF) for its food schemes. [Although Budget-2021 announced to stop this practice].



- ⇒ Here repayment of the entire principal and interest is done from the Central Government Budget eventually, behind the curtains. (पर्दे के पीछे सरकार देरी से पैसा देगी)
- ✓ EBR measures are announced after passing of budget so, they may escape the same general level of media-reporting, parliament debate or audit = bad for financial transparency & accountability. मीडिया-रिपोर्टिंग, संसद बहस या ऑडिट से छिपना = वित्तीय पारदर्शिता और जवाबदेही के लिए बुरा।



- ✓ 15th FC has termed “EBR” as ‘off-budget borrowings through para-statal entities’ and asked Government to avoid it. (15वें वित्त आयोग ने भी इन हरकतों को बंद करने की सलाह दी है)
- ✓ 📁 ES20 also criticised this practice (आर्थिक सर्वेक्षण ने इन हरकतों की आलोचना/निंदा की है)
- ⇒ These EBRs are not taken into account while calculating the Fiscal Deficit but they’re counted while calculating Government debt or public debt.

FISCAL YEAR	2020-21	2021-22	2022-23 & 2023-24
EBR (IN CRORES)	148000	121000	0

27.5 📁 DEBT COMPOSITION: AMOUNT-WISE

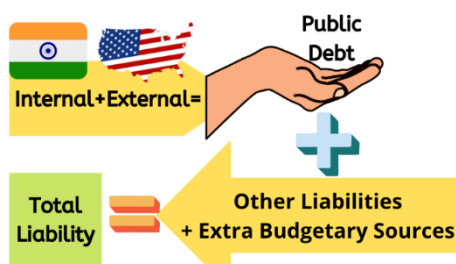
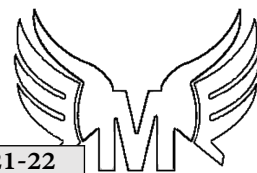


Table 1: Definition & DATA as per 📁 ES22 Vol1Ch2.

Outstanding Loan (बकाया ऋण)	2019-20	2020-21	2021-22
i) Internal Debt (आंतरिक ऋण)- all the pending loans total	80 Lcr	99 Lcr	115 Lcr
A. Marketable debt = Government's dated securities (G-Sec) and Treasury Bills, issued through auctions. Investor can be easily resell it in secondary market			
B. Non-marketable debt = special types of securities/bonds issued by Union Govt to EXIM Bank and other All India Financial Institutions (AIFI), State			



Outstanding Loan (बकाया ऋण)	2019-20	2020-21	2021-22
Govts etc. It's difficult/sometimes not possible to re-sell such securities/bonds in the secondary market. Majority of Govt's internal debt is marketable debt.			
ii) External Debt (बाह्य ऋण) ✓ Borrowed from other nations and multilateral institutions such as IMF, World Bank, ADB etc. ✓ At present Govt of India doesn't borrow directly from the International Capital Market.	5 Lcr	6.15 Lcr	6.59 Lcr
A) Public Debt (सार्वजनिक ऋण) = (i) + (ii)	85 Lcr	105 Lcr	121 Lcr
B) (Public Accounts): Other Liabilities such as Post Office Savings, Postal Insurance, Provident Fund etc. small savings schemes (लघु बचत योजना) (More in Pillar#1D3)	13 Lcr	12 Lcr	12 Lcr
C) Extra Budgetary Resources (बजेटेतर संसाधन)	1.12 Lcr	1.39 Lcr	1.39 Lcr
Total Liability (कुल देयता) = A+B+C	99 Lcr	117 Lcr	134 Lcr

MCQ. Find correct statements (Prelims-2022) :

1. A share of the household financial savings goes towards government borrowings.
2. Dated securities issued at market-rates in auctions form a large component of internal debt.

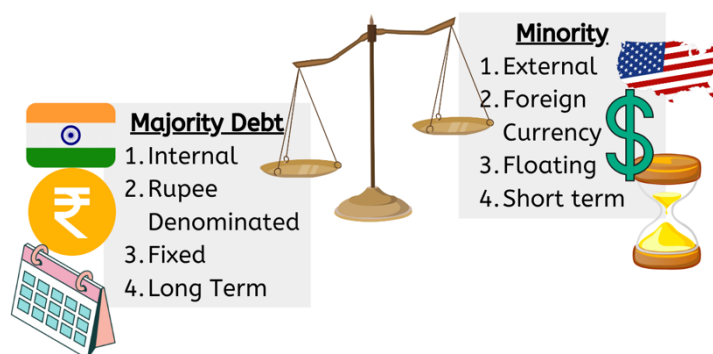
Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

► **FAQ: Why are above numbers not matching fiscal deficit numbers!!!!** Ans. Fiscal deficit number only shows loan taken in a single financial year. Above is the cumulative (total) outstanding/unpaid loans of successive Govt (Vajpayee, Manmohan, Modi.....etc) (ये कुल बकाया कर्ज दिखा रहा है)

► **FAQ: Why are above numbers not matching Extra Budgetary Resources numbers in previous section !!!!!** Ans. same as previous FAQ answer.

► **FAQ: Is EPFO/NPS amount included in above?** Ans. EPFO/NPS invests money in 1) Pvt sector company Shares, 2) private sector company Bonds and 3) G-Sec (=Loans to Govt). The G-Sec components is included.

27.5.1 Debt Composition of Government: Type-wise





Out of loans	majority (अधिकतर कर्ज़ इस प्रकार के हैं)	minority (बहुत ही कम कर्ज़ इस प्रकार के हैं)
Total Public Debt as per Eco Survey	State Govt (70%)	Union (30%)
Total Public Debt as per Kerala Govt petition in SC	State Govt (40%)	Union Govt (60%)
Union Debt → (Source)	Internal (94%)	external/foreign (6%)
Repayment Currency	Rupee	Foreign Currency (जो कर्ज़ विदेशी मुद्रा में वापस करने हैं)
Union Debt → (Interest Type)	Fixed Interest (निश्चित ब्याज दर)	Hardly 5% of Govt loans are 'floating interest rate' (e.g. may be tied with LIBOR etc REF#1C).
Tenure (अवधि)	Long Term (दीर्घ अवधि)	Short Term (लघु अवधि)

⇒ Ratio of (External debt: GDP) = <3% (less than three percent)

⇒ India's "debt to GDP" ratio is lowest among following group of countries: 1) G20 2) OECD 3)

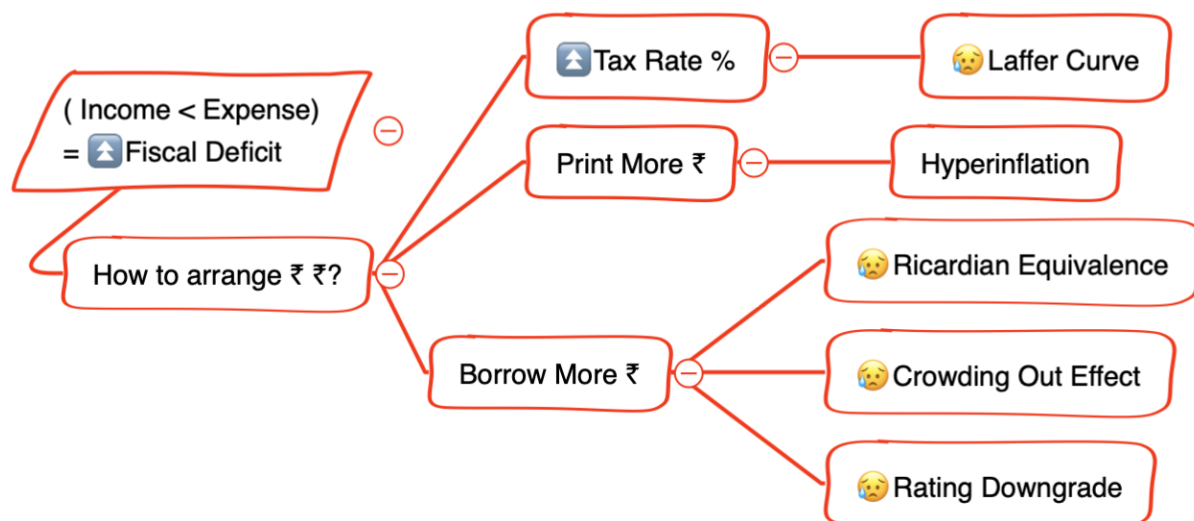
BRICS(Ref: HDT-Pillar#3B: International Organisations)

⇒ Moreover, public debt for India has declined since 2003 and has been stable since 2011.

27.6 FINANCING THE DEFICIT: ITS NEGATIVE CONSEQUENCES ON ECONOMY:

घाटे का वित्तपोषण: अर्थव्यवस्था पे उसके नकारात्मक परिणाम

How to fill deficit?	Why problematic / impractical? क्या समस्याएं/व्यावहारिक क्यों नहीं है
1) Demanding more taxes जनता पर ज्यादा कर लादे जाएं	⇒ Taxes can't be ↑↑ beyond a point because it may force people to evade taxes / discourage their motivation to work. (recall Laffer Curve). करो का स्तर बहुत बढ़ा दिया तो लोग करचोरी करेंगे
2) Borrowing more money सरकार द्वारा ज्यादा पैसा कर्ज़ में लिया जाए	⇒ Ricardian Equivalence: ↑↑ Government borrowing → ↓↓ public shopping = bad for economy. Although ES21 says this will not happen in India. ⇒ Crowding out of the private borrowers Although ES21 says this will not happen in India. ⇒ Fall in the sovereign credit rating. Although ES21 says this will not happen in India.
3) Printing More money	⇒ Although known as Monetising the deficit- it results in hyperinflation (दे दना दन नोट छाप दिया जाए तो महंगाई बहुत बढ़ जाएगी)



27.6.1 🏛️👤 Automatic financing of the deficit vs Market based financing

Automatic financing	Market-based financing
Whatever amount of loan the government wants, the central bank will give it from its own funds.	The central bank only acts as the public debt manager to issue G-Sec/T-bill, etc., to investors.
Sometimes, it may involve central banking printing more money just to finance the deficit; this is known as monetizing the deficit— it results in hyperinflation.	It does not involve careless printing of money because investors are giving money, not the central bank.

Timeline of reforms

- after Independence upto 80s, finance ministry would issue Ad-hoc treasury bills, and randomly borrow money from RBI without limits. (Ad-hoc : अस्थायी/ जब भी जरूरत महसूस हुई)
- 1994: FM ManMohan Singh announced, “Govt should not be able to automatically finance its deficits by creating money, through unlimited recourses to the RBI. We will stop this. And from 1996–97 we’ll replace the ad-hoc treasury bills replaced by WMA. (Ref: Pillar#1C1 for WMA)
- 2003: FRBM Act prescribes market-borrowing limits on Union & states

MCQ. Which one of the following measures made monetary policy independent of fiscal policy in India? (GPSC’25) (A) Nationalization of banks in 1969 and 1980 (B) Privatization of banks in 1991–92 (C) Ending the practice of automatic financing of fiscal deficit by the RBI in 1994 (D) Setting up of monetary policy committee and adoption of inflation targeting framework in 2016

27.6.2 📦👤↑↑ :🛒↓↓ Financing the Deficit: Ricardian Equivalence

- ✓ ↑↑ deficit → Government borrows ↑↑ money → @Maturity (also called ‘Redemption’) of G-Sec, Govt will have to return the principal and interest to the lenders.
- ✓ At that time, Govt may greatly increase taxes on people to arrange that amount.
- ✓ So, Economist David Ricardo argued that during high deficits, people save more, because they become precautionary about future hike in taxes.



- ✓ It's called “Ricardian equivalence: रिकार्डियन तुल्यता” [& if people begin to spend less and save more, then companies will face unsold inventories = new problems for economy]



27.6.3 🧑🏫👤 ↑↑ : 🛒 ↓↓ Ricardian Equivalence invalid for India says 📖 ES21

📖 ES21 cited multiple Research about Indian Economy (1950s-80s) & found REP to be NOT valid for India Because...

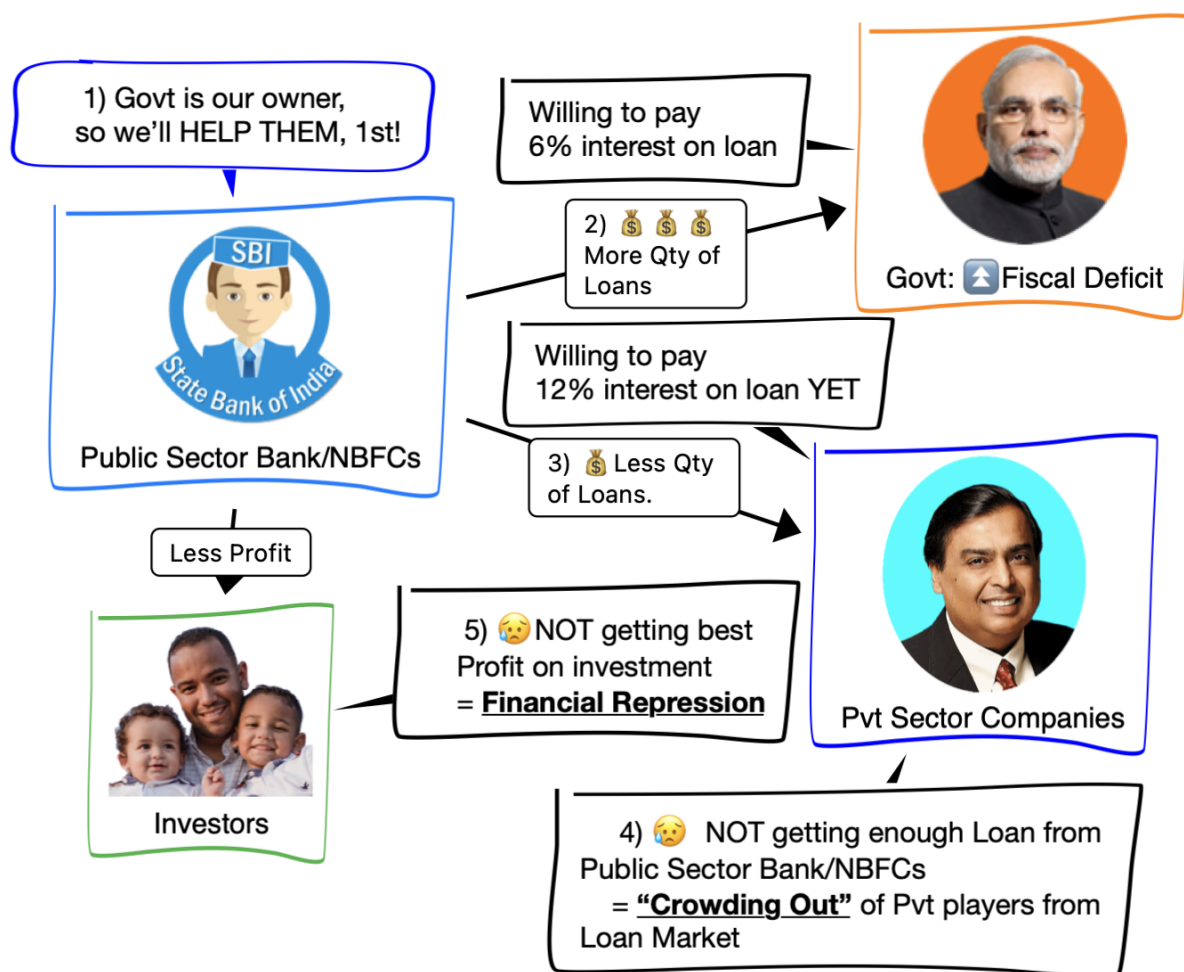
Ricardian Equivalence Proposition (REP) Assumes that (निम्न धारणाएं आवश्यक है)	Why invalid for India? भारत में यह सिद्धांत गलत क्यों साबित हुआ ?
Citizens are perfectly rational and perfectly capable to think about Future income, future tax liability, fiscal deficit when making their consumption decisions. डेविड रिकार्डों की तुल्यता सिद्धांत सही साबित होने के लिए सभी नागरिकों का तर्कसंगत और बुद्धिमत्ता से सोच विचार के लिए सक्षम होना जरूरी- कि भविष्य में उनकी आमदनी, कर-दायित्व, राजकोषीय खाध, उपभोक्ता मांग कितनी होगी.	Shopping decisions also depend on emotional urges and psychological whims e.g. Marriage-DJ/iPhone/Foreign vacation. ग्राहक सभी निर्णय तर्कसंगत बनकर नहीं लेते. भावनात्मक आग्रह और मनोवैज्ञानिक सनक भी आप को खरीदारी के लिए उत्तेजित करती है
All citizens are paying taxes. डेविड रिकार्डों की तुल्यता सिद्धांत सही साबित होने के लिए सभी नागरिकों का करदाता होना जरूरी	Tax Evasion, Black money, parallel economy. भरपूर माला में कर चोरी, काला धन

27.6.4 🧑🏫👤 Financing the deficit: “Crowding Out” of private borrowers

- ✓ If govt borrows ↑↑ money from households & financial intermediaries (LIC, EPFO, Banks via SLR), then that much less money will be available for loans to private corporate borrowers. = “Crowding Out Effect” on the private borrowers= harms factory expansion and job creation. (कॉरपोरेट उधारकर्ताओं को ऋण बाजार से बाहर धकेल देना)
- ✓ If Govt forces SBI, LIC, EPFO to buy its G-sec using public deposits → depriving households of the optimal return (Had the same money been invested in the corporate sector) = “Financial Repression of the households.” (घरों/ कुटुम्बों का वित्तीय दमन“.)
- ✓ Govt (forced) NABARD to buy its ₹ 15,000 crore Swachh Bharat Mission (Gramin) Bonds with maturity period of 10 years. Govt (forcing) RBI and others to pay higher dividend. → operational freedom of those organization is affected.



27.6.5 📦📦 Crowding out of private investment? 📦📦 ES21 Observations



📦📦 ES21 found some evidence of "crowding out" of private companies in India during 1950s to 1990s. Mainly because (50 से 90 के दशक में निजी क्षेत्र की कंपनियों को रुण-बाजार से बाहर धकेले जाने के सबूत मिले क्योंकि:)

- ⇒ [1] CRR and SLR were very high therefore PSB banks loanable funds supply was very limited & due to politicized boards, they may have channeled most of the savings towards the govt. (डिपॉजिट में से सीआरआर एसएलआर को हटाने के बाद कर्ज में देने योग्य रकम वैसे भी बहुत कम रहती थी)
- ⇒ [2] Absence of large private sector banks (निजी क्षेत्र के बड़े बैंकों का आगमन अभी बाकी था)
- ⇒ [3] Publics' earnings and savings were low. (लोगों के पास भी आमदनी और बचत कम ही थी)
- ⇒ [4] Capital market / share-bond Market was underdeveloped. (पूंजी बाजार, शेयर/बांड बाजार विकसित नहीं हुआ था → निजी कंपनियों के लिए पूंजी हासिल करना मुश्किल)

📦📦 ES21 find no evidence of crowding out in India from 1990-2019. Because

1. the above factors have gradually faded. (90 के दशक में उक्त बाधाएं कमजोर हो गई थी)
2. if Govt borrows money for Infra-development (Health, Education, Transport, electricity, Irrigation etc) → jobs & GDP ↑↑ → citizens' income ↑↑ → savings ↑↑ → more ₹ in



banks, NBFC, mutual fund, shares/bonds etc. So, "crowding out" may not happen because 'size of dish' will become larger. (शिक्षा स्वास्थ्य परिवहन बिजली सिंचाई जैसी बुनियादी अवसंरचना के लिए अगर सरकार कर्जा लेती है → रोजगार और आर्थिक वृद्धि में बढ़ोतरी → नागरिक की आमदनी बढ़ेगी → उसकी बचत बढ़ेगी → अपने आप ही बैंक-बचत शेयर बांड द्वारा कंपनियों को ढेर सारा निवेश मिल जाएगा. अतः रुण बाजार से कंपनियों को बाहर नहीं धकेला जाएगा)

3. 1990-2019: ↑ ↑ in the population of youth / working age people (demographic dividend) → income & savings & banking habits ↑ ↑ → Loanable funds ↑ ↑ so "Crowding out" chances ↓ ↓ (आबादी में नौजवानों की माला बढ़ी → आमदनी और बचत की भावना भी बढ़ी → कर्ज में देने के लिए रकम भी बढ़ी है)

"Crowding out" assumes that the supply of savings is fixed. But in reality, economic growth ↑ ↑ → the size/quantity of savings ↑ ↑ (धारणा से विपरीत वास्तविकता में बचत की रकम का जत्था स्थिर नहीं होता. आर्थिक वृद्धि के साथ-साथ बचत-जत्थे में भी बढ़ोतरी होती है)

27.6.6 Financing the deficit: Printing More Money / monetization of debt



- When central bank prints more money to pay for government's loans → called "Monetizing the Deficit". (मुद्रिकृत घाटा: सरकारी कर्ज के लिए रिजर्व बैंक द्वारा दे दना नोट छापे जाए).
- It can result in hyperinflation and ↓ ↓ the purchasing power of currency (if there is not sufficient increase in the supply of onion, tomatoes & goods in the market. e.g. Germany, after Treaty of Versailles in 1919. जाने पर महंगाई दर/मुद्रास्फीति को अप्रत्याशित रूप से बढ़ जाएगी)
- Therefore, "Monetizing the Deficit" is also called "inflating away of debt".
- **FRBM Act prevents monetization of deficit- with following provisions:**
- Normally, RBI must not subscribe to the G-Sec in primary market from 2006-07 onwards. [Refer Pillar1A2: Monetary policy for more on this matter.]
- Normally, Govt shall not borrow from RBI, except for Ways and Means Advances (WMA Ref: Pillar#1C)

27.6.7 Direct vs Indirect monetisation - PHD not imp

Some mocktest walla raising BP. But this much PHD NOT imp for exam after observing the PYQs.



27.6.8 🏠👤 Fiscal Deficit ↑↑ = India sovereign rating ★★↓↓

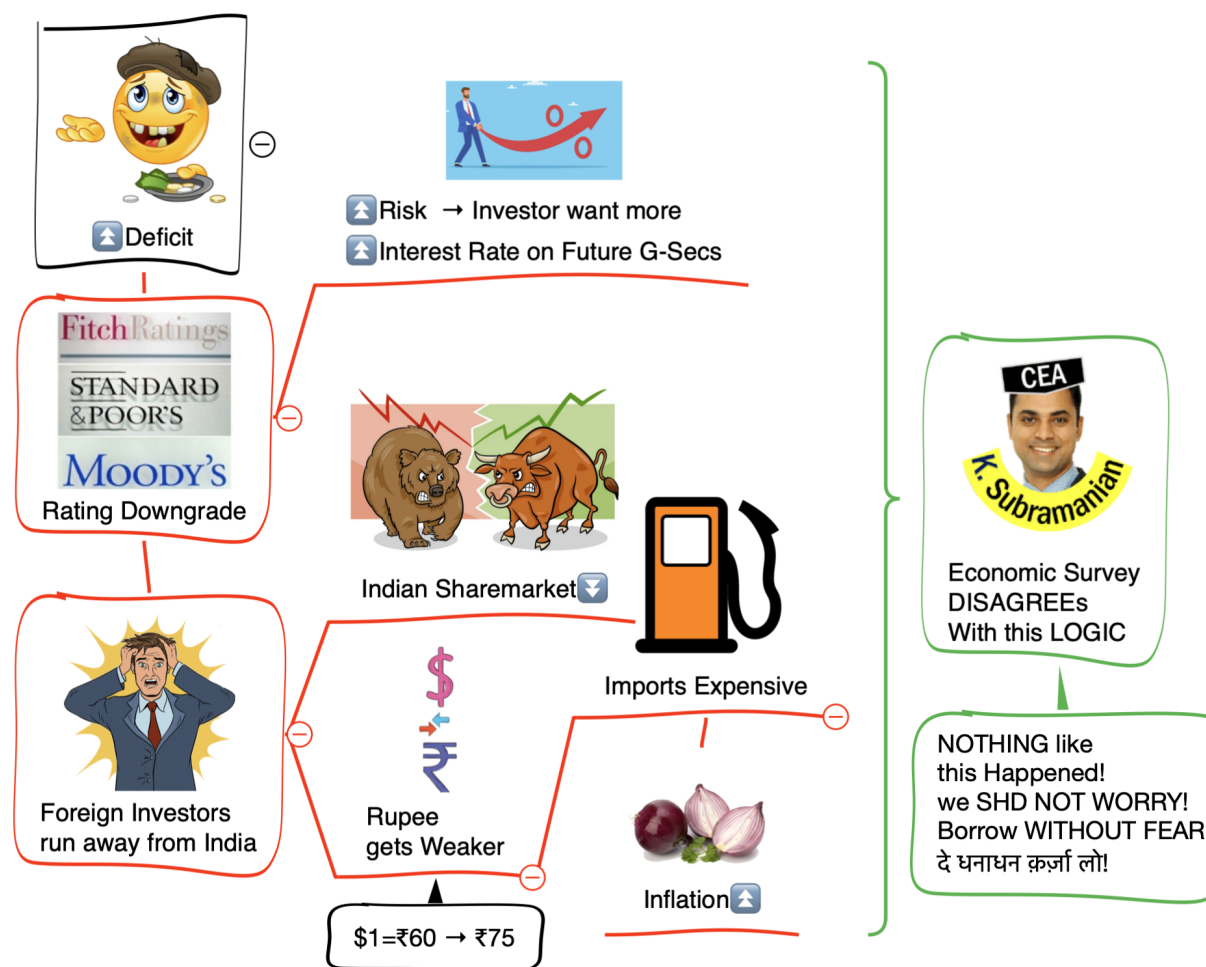


Table 2: classification not important, sufficient to know AAA=best.

Rating →	Moody's sovereign rating (सरकारी प्रतिभूतियों का रेटिंग/श्रेणीकरण)
Prime अग्रिम/उच्चतम दर्जे	Aaa (e.g. US Treasury Bonds)
High grade / उच्च	Aa1 to 3
investment grade: Upper medium / मध्यम	A1
investment grade: Lower medium	Baa1 to Baa3. 2020-June: India rating reduced to Baa3. because of weak fiscal position, rising fiscal deficit
Non investment grade (junk / रद्दी)	BA1 to lower ranks like "C".

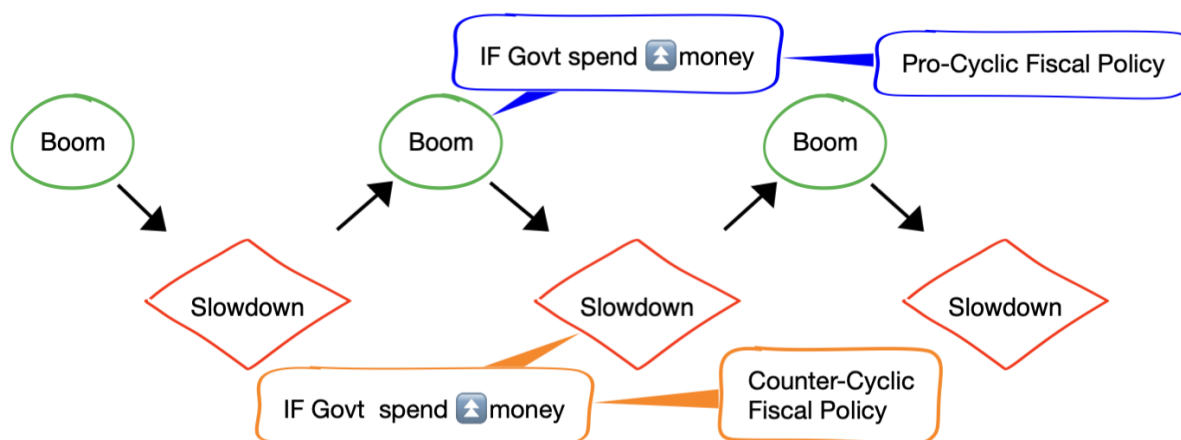
So, now if India's sovereign rating ↓↓ any step further= junk status= **Implications?** 🤔

- ⇒ Next time when issuing fresh G-Sec, Govt will have to offer more interest to investors to lure them.
- ⇒ Flight of Foreign Capital from India (भारत से विदेशी पूंजी का उड्डयन/निर्गम):
- ⇒ Foreign investors may fear Indian govt will default in payment of previous G-Sec
- ⇒ So they'll dump it to other investors and run away from India.
- ⇒ =Flight of capital from India = \$ strengthen, rupee weakens. (Why? Ref: pillar3)

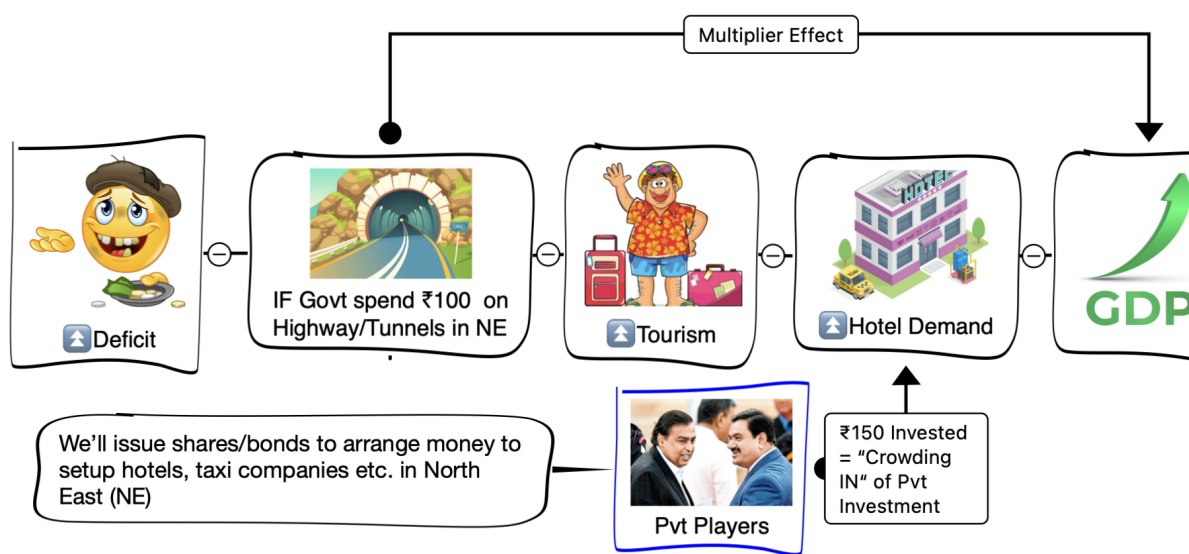


⇒ However, ES21 suggested we need not worry about it. मत डरो इनसे और दे दना दन कर्जा ले लो

27.7 COUNTERCYCLICAL POLICY (प्रतिचक्रिय राजकोषीय नीति)



(Introduction: Origin) Indian Kings used to build palaces, temples, mosques etc during famines to provide employment. Thus, during an economic slowdown, the Govt must spend more ₹ to achieve a similar objective. (अकाल के दिनों में राजा महाराजा महल मंदिर और मस्जिद बनवाते, ताकि लोगों को रोजगार मिले. आर्थिक मंदी के समय में सरकार ने भी कुछ ऐसा ही करना चाहिए)



Counter cyclical Fiscal policy प्रतिचक्रिय राजकोषीय नीति (Expansionary fiscal policy)	⇒ During economic slowdown → ↑ ↑ Increase Fiscal expenditure to boost employment & GDP. ⇒ It helps in “Crowding-in” i.e. When govt spending ↑ ↑ increased → private investment ↑ ↑ e.g. Govt building highway in Arunachal → Private entrepreneurs building petrol pumps & hotels → jobs GDP. आर्थिक मंदी के दौरान सरकारी खर्च को बढ़ाया जाए-ताकि निजी क्षेत्र निवेश रोजगार आर्थिक वृद्धि में मदद. ⇒ During economic boost: ↓ ↓ Decrease govt spending (So as to build reserves for future emergency/future slowdown) आर्थिक तेजी में सरकारी खर्च को कम किया जाए ताकि सरकार भविष्य की मंदी के दौरान इस्तेमाल करने योग्य रकम को आरक्षित रख सके/जमा कर सके.
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	⇒ USA, UK, Chile have done this in the past, but India has not done it. ES21 Suggested India to pursue this.
Pro-Cyclical fiscal policy	⇒ During economic Boom, ↑ ↑ Fiscal expenditure ⇒ चक्रीय-समर्थक राजकोषीय नीति ↑ ↑ आर्थिक तेजी के दौरान सरकार ज्यादा पैसा खर्च करें

MCQ. The increase in private investment spending induced by the increase in Government spending is known as (CDS-2021-i)

- (a) Crowding in (b) Deficit financing (c) Crowding out (d) Pumping out

MCQ. What is expansionary fiscal policy? (GPSC'25) [Hint: Counter-cyclic]

- (A) Decrease in direct and indirect tax rates and increase in public expenditure
(B) Decrease in direct and indirect tax rates and decrease in public expenditure
(C) Increase in direct and indirect tax rates and decrease in public expenditure
(D) Increase in direct and indirect tax rates and increase in public expenditure

MCQ. Find Correct: (GPSC'25)

1. To control inflation, repo rate should be decreased by the RBI
2. To tackle recession, the government should increase its expenditure

Code: (A) 1 only (B) 2 only (C) Both 1 and 2 (D) Neither 1 nor 2

27.7.1 Countercyclical: IRGD & Debt Sustainability

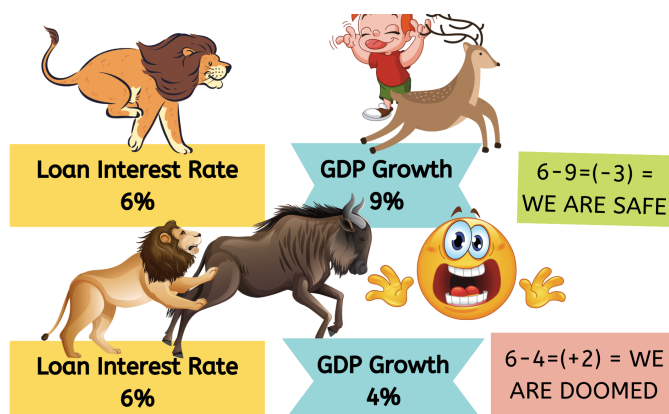
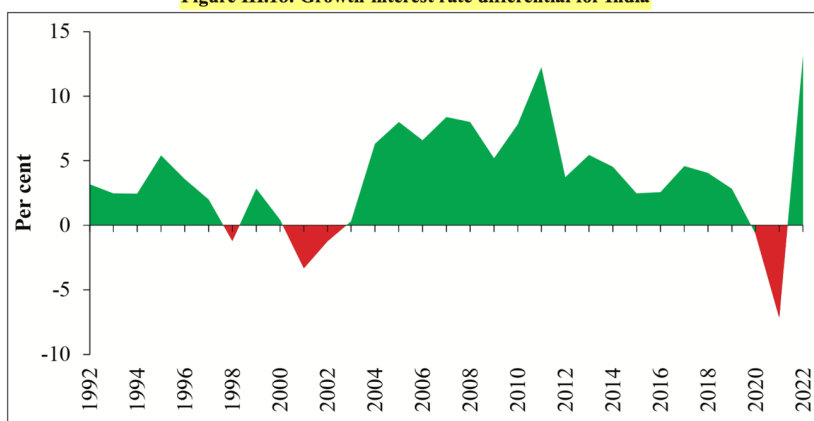


Figure III.18: Growth-interest rate differential for India



⇒ Interest Rate Growth Rate Differential (IRGD: $\text{रुण-ब्याज-दर वृद्धि-दर के बीच अंतर}$): It is the difference between (loan) interest rate (paid by Govt to investors) and GDP growth rate in an economy.



⇒ so if loan interest 6% - minus growth rate 9% = (-3)% negative IRGD figure basically hints that if GDP Growth rate is higher than the loan interest rate paid by the govt, then Govt need not worry much, because GDP ↑↑ → Tax collection ↑↑ → Enough ₹ to repay those loans. यदि सरकार ने जिस ब्याज दर पर कर्जा लिया है उसे आर्थिक वृद्धि दर ज्यादा हो तब तक सरकार ने चिंता करने की जरूरत नहीं क्योंकि आर्थिक वृद्धि के चलते कर-आमदनी में बढ़ोतरी होगी → कर्जा चुकाने के लिए सरकार के पास रकम आती रहेगी.

Title	Formula	Comment
Interest Rate Growth Rate Differential	Loan interest minus GDP growth: 6-9= Minus 2	Negative number is good for economy.
Growth Rate Interest Rate Differential	GDP growth minus Loan Interest: 9-6 = Plus 2	Positive number is good for economy.

FAQ: so which formula is right in above table? Ans. Both are right. depends on context whether u're doing A-B or B-A. Enough to know that as long as GDP growth rate >> greater than (govt's loan) interest rate = economy is will remain safe/stable.

⇒ 📖 ES23: our growth-interest rate differential positive. Our govt debt to GDP is sustainable.

27.7.2 📖 Counterfactual: Domar Condition of Debt Sustainability

⇒ Economist Evsey Domar (1944) stated that, "Public debt of a country will be sustainable, IF GDP growth is greater than the public debt growth rate.

⇒ Otherwise government may default on loan-repayment." (यदि देश का आर्थिक वृद्धिदर, उस देश के सार्वजनिक कर्ज वृद्धिदर से ज़्यादा होगा तो सार्वजनिक कर्ज वहनीय हो पाएगा, वरना तो सरकार दिवालियापन दिखा देगी/ कर्ज नहीं चुका पाएगी।)

⇒ More on GDP Growth = 📖 Ref: HDT-Pillar#4C: GDP

27.8 📖 AUTOMATIC STABILIZERS (स्वचालित-स्थिरीकारी)

Economic situation	Boom	Slowdown	Stabilizer
A) Income	1000000	700000	u don't hv2 pay IT = automatic help
B) Income Tax (NTR)	- 54000	- 0	Automatic
C) Transfer Payment / Welfare Scheme	0 (Bcoz Not IT Payer= NOT poor)	3000 (bcoz no longer IT Payer)	Discretionary (Bcoz Govt has to launch scheme)
Disposable income = A-B+C	946000	703000	will hv2 think & launch "Jethalal Garib Vyapari Kalyan Yojana"

(img source: Taarak Mehta Ka Ooltah Chashmah)



- ⇒ Automatic stabilizers are mechanisms built into govt budget to address economic slowdown automatically- by automatically increasing govt's spending and/or decrease public's tax liability. [“स्वचालित-स्थिरीकारी” - आर्थिक मंदी के दौरान अपने आप सरकारी खर्च को बढ़ाता है या जनता की कर-देयता को कम करता है]
- ⇒ Automatic stabilizer does not require any change in the existing tax law or voting in the Parliament- because it starts working automatically during slowdown. [उन्हें क्रियान्वित करने के लिए अलग से नया क़ानून/ संसद की अनुमति लेने की ज़रूरत नहीं होती. वो अपने आप ही क्रियान्वित हो जाता है]
- ⇒ Examples of **Automatic Stabilisers**: Income tax, Corporation tax, unemployment allowance, food subsidy and other Government schemes that are meant only for poor /lower middle class people. [आयकर, निगम कर, गरीब के लिए लक्षित खाद्य सब्सिडी और दूसरी कल्याणकारी योजनाएं- “स्वचालित-स्थिरीकारी” है]

Note: Countercyclical fiscal policy / fiscal stimulus = it requires the government to pass a new budget / new law / permission of Parliament for some new initiatives. So, they are not automatic stabilisers. They are **discretionary stabilisers**. [प्रति चक्रीय राजकोषीय नीति तथा राजकोषीय प्रोत्साहन पैकेज के लिए सरकार ने अलग से विशेष रूप से नए बजट में ज़िक्र करना होगा कोई क़ानून पास करवाना होगा इसलिए वे विवेकाधीन स्थिरीकारी है।]

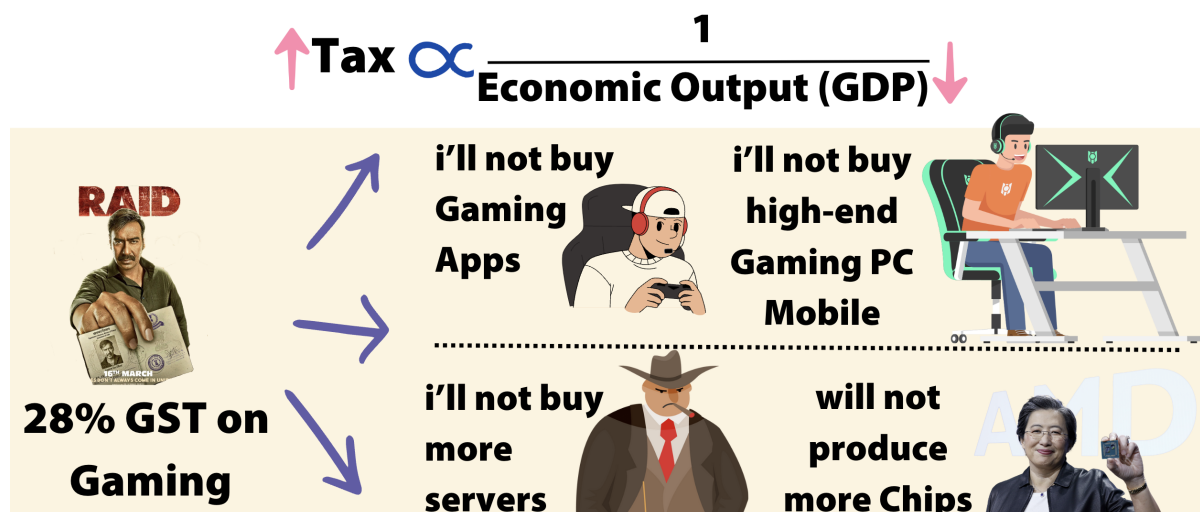
MCQ. Which of the following functions as an automatic stabilizer in the context of fiscal and monetary policies of an economy? (UPSC-CAPF-2021)

(a) Personal income tax (b) Reverse repo rate of bank (c) Open market operation (d) Bond price.

27.8.1 🍌 Disposable income & marginal propensity to consume (MPC)

- Disposable income = Personal income -minus Personal income taxes.
- Disposable income means the money that is available for consumption (spending) and saving after paying the direct taxes (e.g. Income tax).

27.8.2 🍌 Tax multiplier is a negative multiplier



27.8.3 🍌 Autonomous expenditure multiplier (AEM) & Govt expenditure multiplier

Multiplier	Meaning
Autonomous expenditure multiplier (AEM)	• Autonomous expenditure= you have to buy it irrespective of your income level e.g. food, shelter, medicine. • $AEM = \uparrow / \downarrow$ change in autonomous spending will result in

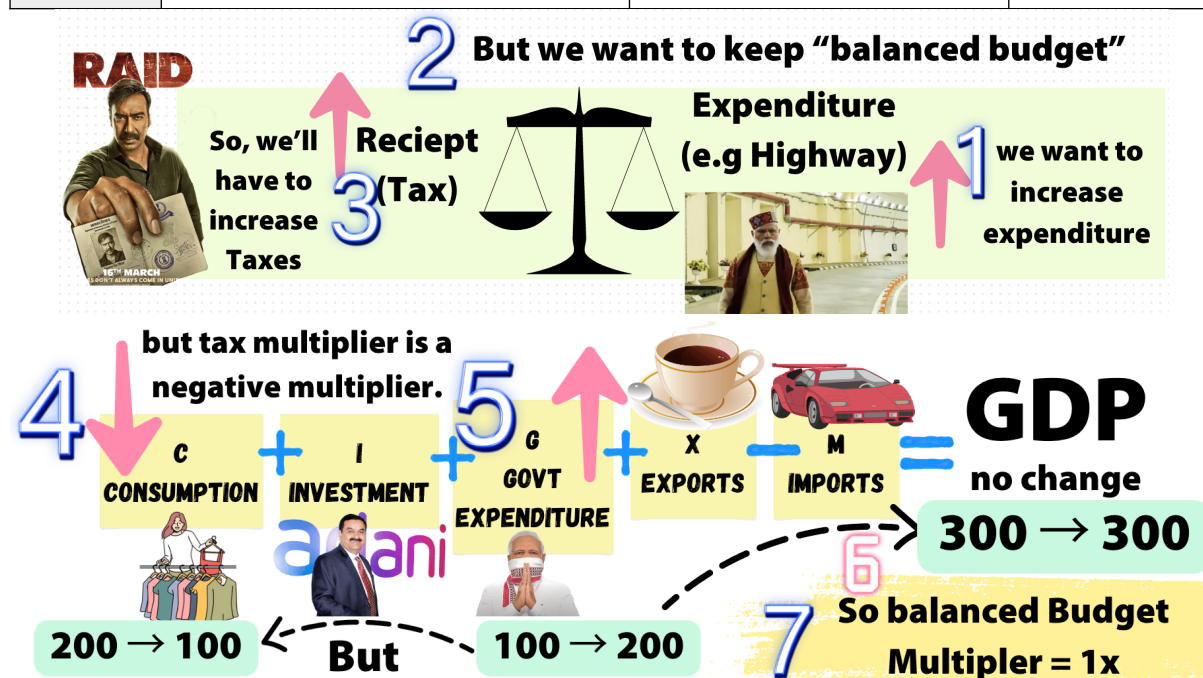


Multiplier	Meaning
	how much $\uparrow/\downarrow$ in GDP/income/output
Govt expenditure multiplier	$\uparrow/\downarrow$ change in Government expenditure will result in how much $\uparrow/\downarrow$ in GDP/income/output
Balanced budget multiplier	$\uparrow/\downarrow$ change in Unit (Tax & Govt Expenditure of a balanced budget) will result in how much $\uparrow/\downarrow$ in GDP/income/output (see next section for more)

27.8.4 Balanced budget multiplier = 1 how?

- Note: the real explanation requires complex graphs and lengthy narration.
- We don't have time for it. So, I am giving a technically not accurate / jugaad-explanation.
- $GDP = C + I + G + X - M$ (Will understand this formula in pillar4D)
- now suppose, $I = 0$, $X = 0$ and $M = 0$. Then $GDP = \text{Consumption} + \text{Govt expenditure}$

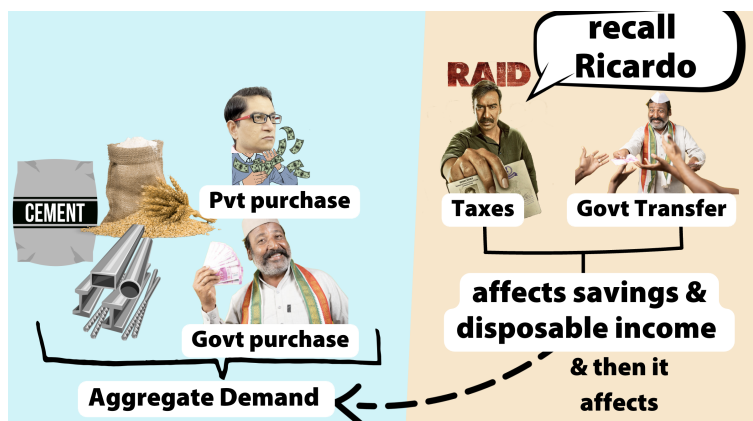
Matter	Consumption (C)	+ Govt expenditure (G)	C+G = GDP
BEFORE	200	100	300
AFTER	100 $\downarrow$ (reduced due tax multiplier ki negative effect)	200 $\uparrow$ (increased by govt Expenditure)	300 (unchanged)



In the above, example, GDP has increased by how much times? Ans $300/300 = 1X$ times only!

Above problem will come in balance budget because, if government wants to increase expenditure (while keeping the budget balanced, without borrowing) $\rightarrow$ Govt will have to increase the taxes $\rightarrow$ will reduce the consumption (due to negative tax multiplier)

27.8.5 Effects of Budget/Fiscal policy on Demand & Savings



27.8.6 🧑🏫👉 THREE Functions of Govt Budget

Function	Example / Meaning
Allocation	Government provides certain goods and services which cannot be provided by the market e.g. national defence, police, roads, railways etc. These are called public goods.
Redistribution	Collect more taxes from the rich and use it for welfare of the poor.
Stabilisation	During the economic slowdown, govt should spend more money to stabilise the economy. Read the “counter-cyclic fiscal policy” section for more.



Allocation
(आवंटन)



Redistribution
(पुनर्वितरण)



Stabilisation
(स्थिरीकरण)

27.9 🧑🏫👉 MISC TERMS RELATED TO DEFICIT FINANCING

Table 3: 🧑🏫 need not do PHD on it unless Optional Subject=Public Administration

Methods	for repaying debt (ऋण चुकाने के अलग अलग तरीके)
Redemption (भुगतान)	Repay the loan principal and interest at regular interval. Also known as Terminal Annuity . अनुशासन पूर्वक मूलधन और ब्याज धीरे-धीरे वापस चुकाना
Sinking Fund (निक्षेप निधि)	Govt creates a special fund & keeps depositing money in it regularly. So at the time of G-sec maturity, it has enough ‘buffer’ money to honor the loan repayment. First introduced in England .
Conversion / restructuring	पुनर्गठन : Converting old loan into new loan with modifications in interest / tenure. (पुरानी लोन के ब्याज दर या अवधि में बदलाव करना) 2020-Nov: Zambia became Africa’s 1st nation to default on its Euro loans due to Corona. Experts believe some restructuring may be done.
Evergreening	Taking new loan to repay the old loan (पुरानी लोन चुकाने नया कर्ज लेना)
Repudiation (परित्याग / बहिष्कार) कर्ज चुकाने से मना कर देना	Govt does not recognize its obligation to repay the loan. E.g. After Russian Revolution (1917) Lenin’s Government refused to pay the loans taken by the previous Czar regime from Britain & France. Although, in modern times not a sound strategy because next time, no one will give you loans.—



27.10    **FISCAL CONSOLIDATION / PRUDENCE:** राजकोषीय एकत्रीकरण / विवेक



It involves reduction in government expenditure to control its Fiscal Deficit. Such as

1. ↓ ↓ the **leakages (रिसाव)** by targeted delivery of schemes and subsidies through direct benefit transfer (DBT) through JanDhan- Aadhar- Mobile (JAM) trinity.
2. ↓ ↓ the **quantum (मात्रा)** of subsidies: e.g.
 - a. Deregulation of Petrol prices (2010), Diesel (2013) (दामो को नियंत्रण मुक्त)
 - b. 2016: Oil Ministry began to block LPG-Pahal subsidies to persons with annual taxable income of ₹ 10 lakh />
 - c. 2017: Oil Ministry asked oil companies to keep raising prices of subsidised kerosene by 25 paise every fortnight until the subsidy is eliminated.
3. **Shutting down loss making PSU.** E.g. Hindustan Photo Films, HMT Bearings, HMT Chinara Watches, Tungbhadra Steel, Hindustan Cable & HMT Watches (2014).
4. **Privatization** of loss making Govt companies (निजीकरण) e.g. IDBI, Air India.
5. 2014-16: Government setup an **Expenditure Management Commission (व्यय प्रबंधन आयोग)** under Bimal Jalan to suggest ways to reduce its Expenditure.
6. **Austerity Measures (मितव्ययिता के उपाय)** e.g.
 - a. 2018- W.Bengal govt issued directives to its departments banning flower bouquets and mementoes in public functions, banning officials meetings at private hotels, frequent installation of AC, car purchases, office renovations etc. & restricting the no. of foreign tours by Ministers / IAS etc., More use of video-conferencing instead of physical travel.
 - b. 2019: PM's Cabinet Committee on Investment and Growth (CCIG: निवेश और विकास की कैबिनेट समिति) ordered all Union ministries to reduce wasteful expenditure on travel, food and conferences by 20% (यात्रा, भोजन और सम्मेलन की फिजूल खर्ची में कटौती करो).
 - c. 2021: Parliament canteen subsidy ended e.g. Masala Dosa will no longer be sold at ₹6 etc. This will help saving ₹8cr

 **MCQ.** There has been a persistent deficit budget year after year. What can be done by the government to reduce the deficit? (Asked in UPSC-Pre-2015)

- | | |
|---------------------------------|------------------------------------|
| 1) Reducing revenue expenditure | 2) Introducing new welfare schemes |
| 3) Rationalizing subsidies | 4) Expanding industries |

Answer Codes: (a) 1 and 3 only (b) 2 and 3 only (c) 1 only (d) 1, 2, 3 and 4

 **MCQ.** In India, the price of petroleum products has been deregulated to ___. (CDS-2013-II)

- (a) reduce the burden of subsidies given to the oil companies



- (b) discourage the exploration of oil reserves in the country
(c) discourage the demand for private vehicles (d) curb the use of black money in the economy

27.11 FISCAL STIMULUS (राजस्व प्रोत्साहन पैकेज)



Short term के फायदे में
लेकिन long term
का नुकसान



When govt ↓↓ taxes and/or ↑↑ public procurement (सरकारी खरीद) to ↑↑ demand & growth in economy, it's called "*Fiscal Stimulus*" (राजस्व प्रोत्साहन पैकेज).

27.11.1 Manmohan's Fiscal Stimulus (2008-)

⇒ Post-subprime crisis in USA, PM Manmohan announced Fiscal Stimulus (2008) such as

- (1) ↓↓ in the Excise duty & Custom Duty on exports
- (2) Businessman were given additional benefits in Income Tax & Corporation Tax, if they purchased new commercial vehicles.
- (3) Hiked the Minimum Support Prices (MSP) for farmers. More in Pillar#4A

⇒ However, the economic surveys observed that such Fiscal Stimulus create new set of problems by
↑↑ fiscal deficit in the subsequent years.

27.11.2 Modi's Atma-Nirbhar Bharat Economic Stimulus Package (2020)

⇒ (Origin) 2020-March: Government of India initiated nationwide lockdown to prevent the spread of Corona/COVID-19 pandemic. (कोरोना महामारी के चलते देशव्यापी तालाबंदी)

⇒ This lockdown affected the income and livelihood of everyone from corporate companies to common citizens of India. (सबकी आजीविका को हानी हुई)

⇒ Therefore, to revive the economy, Prime Minister of India launched Atma Nirbhar Bharat stimulus package in 2020-May to revive the Indian economy. (अर्थव्यवस्था को पुनर्जीवन / प्रोत्साहन का आर्थिक पैकेज)

⇒ It's centred on five pillars of – Economy, Infrastructure, System, Demand and Vibrant Demography (स्फूर्तिशील जनसांख्यिकी).

Table 4: (DATA) Atma Nirbhar Bharat consists of

DATE	Components of Atma Nirbhar Bharat	Amt in lakh cr (Originally)	ES21
2020-Mar to May	1) RBI's monetary policies → (Ref#1A2)	₹8 lakh cr	₹13 Lcr
2020-Mar	2) PM GARIB KALYAN (PMGKY): Covid Relief Package	₹1.70-1.90 lcr	₹17 Lcr
2020-May	3) FM Nirmala.S made new announcements made like Credit guarantee for MSME, ↓↓ TDS rates, PM Matsya Samda Yojana, Agri infra fund etc.	₹11 lakh cr	



ATMANI = 1+2+3=Total कुल मिलाकर जोड़ी गयी रकम	= ₹20 lcr approx. (10% of GDP)	₹30 Lcr = 15% of GDP
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Note: Salient features of Atma-Nirbhar is spread across 6 pillars of Handout. Its criticism, how useful in reviving economy & GDP growth, Nehru vs Modi's ideas of self-reliance etc. = Ref: Pillar#4C

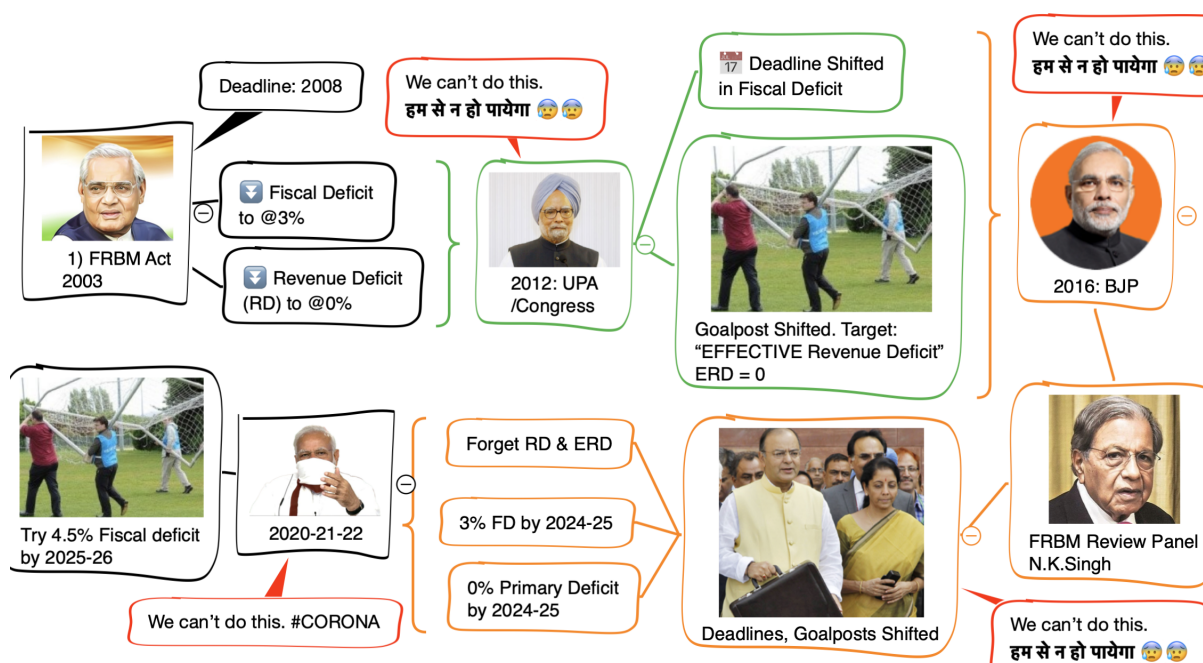
27.11.3 Frontloading of Stimulus and Overheating in Economy

Refer to Pillar 4D: GDP

? MCQ. Which one of the following describes the “fiscal stimulus”? (UPSC-Pre-2011)

- 1) It is a massive investment by the Government in manufacturing sector to ensure the supply of goods to meet the demand surge caused by rapid economic growth
- 2) It is an intense affirmative action of the Government to boost economic activity in the country
- 3) It is Government's intensive action on financial institutions to ensure disbursement of loans to agriculture and allied sectors to promote greater food production and contain food inflation
- 4) It is an extreme affirmative action by the Government to pursue its policy of financial inclusion

27.12 FISCAL RESPONSIBILITY & BUDGET MANAGEMENT ACT, 2003



FRBM Act: राजकोषीय उत्तरदायित्व और बजट प्रबंधन अधिनियम, 2003

Originally it required Union and States to control their deficits with following targets:

- By 2008: ↓ ↓ Fiscal Deficit
 - 🧑 For Union: 3% of GDP (GROSS DOMESTIC PRODUCT: सकल घरेलू उत्पाद)
 - 🧑 For States: 3% of GSDP (GROSS STATE DOMESTIC PRODUCT)
- By 2008: Eliminate Revenue deficit (=make it 0%) of their respective GDP or GSDP.

While some of the state govts achieved them, but successive union govts struggled to meet these targets so they kept amending the act to extend the deadlines and targets. (लक्ष्यों की समयसीमा को पीछे



धकेलते रहे). E.g. Amendment 2012: No need to have 0% Revenue deficit. Instead it required 0% Effective Revenue Deficit by 2015. These deadlines extended even further in subsequent years.

27.13 🧑🏫 FRBM: TRIGGER MECHANISM (TO) ESCAPE (DEFICIT CONTROL) CLAUSE

FRBM Act Section 4(2): provides for a trigger mechanism to escape the deficit control related clauses in the act i.e. Government can overcross the targets in following situations (चुनिन्दा 'ट्रिगर' परिस्थितियों में, घाटे-नियंत्रण संबंधी धाराओं से बच सकते हैं)

1. ✕ National Security / Act of War (राष्ट्रीय सुरक्षा / युद्ध)
2. 🌧️ National Calamity (राष्ट्रीय आपदा)
3. 🌾 If agriculture output and farm incomes collapse (कृषि उत्पादन, आय में पतन)
4. 📉 Fall in real output/ GDP growth rate beyond x% (विकास दर में अत्यधिक गिरावट)
5. 🍋 Structural reforms in the economy with unanticipated fiscal implications (अर्थव्यवस्था में संरचनात्मक सुधारों की राजकोष पे अप्रत्याशित असर हो.)

🧑🏫 During above 'trigger conditions' (उक्त 'ट्रिगर' परिस्थितियों में)

- ⇒ FRBM Act Section 4(2): Govt may overcross/deviate the fiscal deficit target by upto 0.5% of GDP, as recommended by NK Singh's FRBM review Committee. (घाटे की मर्यादा/लक्ष्यों को लांघ देना).
- ⇒ Individual State Governments may also do similar (e.g. overcross by 0.5% of GSDP), but they've to amend their state FRBM Act accordingly with this provision.
- ⇒ 📁 Budget-2020: FM cited trigger#5 (structural reforms.....) to escape the FRBM targets for 2019-20 and 2020-21.

Table 5: यानि की घाटा में कटौती हमसे ना हो पाएगी

Fiscal deficit →	Original target (मूलतः)	Overcrossed After Trigger Mechanism
2019-20	3.3%	3.8% ↑ ↑
2020-21	3%	3.5% ↑ ↑

- Primary deficit target 0% (2020-21): shifted to 2022-23.
- Revenue Deficit and ERD also over crossed but anyways FRBM Act has abandoned targeting them since 2018's amendment.
- **2020-Corona crisis:** Govt's income ↓ ↓ and expenses ↑ ↑ so deficit rose to unprecedented level. 📁 Budget-2021: FRBM amended to provide fiscal deficit 6.8% (2021-22) and 4.5% (2025-26)- because 4.5% target is recommended by 15th FC.

27.13.1 🧑🏫 FRBM: Misc. Concepts

- 1) 📉 in 2018, instead of immediately reducing the Fiscal deficit to 3.0% FM Jaitley promised to reduce it to 3% in 2020-21 like a glider gradually descending on its landing target. Hence subsequent Finance Ministers keep reiterating that we'll continue on that 'Fiscal Glide' (राजकोषीय



सरकाव) path. Although Budget-2020 FM Nirmala.S used FRBM-trigger to escape it, temporarily.

- 2) **Fiscal Profligacy** (अंधाधुंध राजकोषीय खर्च/आवारगी/ऐयाशी): This phrase is used to denote reckless extravagance/wasteful expenditure of public money.
- 3) If government has targeted to keep the fiscal deficit within 3.3% percent of GDP, but if it crosses that limit, it's called '**Fiscal Slippage**' (राजकोषीय फिसलन).

27.13.2 FRBM Act: Documents (दस्तावेज़)

FRBM Act requires the Union Govt to present following documents along with the budget:

- 1) **Macroeconomic Framework Statement** (व्यापक आर्थिक ढाँचा विवरण): to show economic data - GDP, growth rate, import-exports, and government's receipts, expenditure etc.
- 2) **Medium Term Fiscal Policy Statement** (मध्यम अवधि की राजकोषीय नीति विवरण)
- 3) **Fiscal Policy Strategy Statement** (राजकोषीय नीति कार्यनीति विवरण): To explain how Govt. is controlling the deficits, and whether there is going to be any deviation from the target. **Note:** In real life, Doc#2 and Doc#3 are published together as "*Medium Term Fiscal Policy cum Fiscal Policy Strategy Statement*." (दूसरा और तीसरा दस्तावेज वास्तव में एक साथ, एक ही फाइल में दे देते हैं)
- 4) Medium-term **Expenditure Framework** (मध्यम अवधि व्यय ढाँचा विवरण) → Budget-2021 to 2025
Govt not presented this document in Parliament, taking excuse of Corona.

? MCQ. According FRBM Act, the Govt is under obligation to present three statements before the parliament along with the Annual Budget. Which one of the following is not one of them? [CDS-2008-I]

- (a) Macroeconomic Framework Statement
- (b) Fiscal Policy Strategy Statement
- (c) Medium-term Fiscal Policy Statement
- (d) Statement showing Short term Fiscal Policy

? MCQ. Along with the Budget, the Finance Minister also places 'The Macro Economic Framework Statement'. The aforesaid document is presented because this is mandated by (UPSC-Prelims-2020)

- [a] Long standing parliamentary convention
- [b] Article 112 and Article 110(1) of the Constitution of India
- [c] Article 113 of the Constitution of India
- [d] Provisions of the Fiscal Responsibility and Budget Management Act, 2003

27.13.3 Fiscal Indicators from FRBM Documents presented in Budget 2025

	Revised Estimates	Budget Estimates
	2024-25	2025-26
1. Fiscal Deficit	4.8	4.4
2. Revenue Deficit	1.9	1.5
3. Primary Deficit	1.3	0.8
4. Tax Revenue (Gross)	11.9	12.0
5. Non-Tax Revenue	1.6	1.6
6. Central Government Debt	57.1	56.1

FAQ on Row#6: if Central Govt debt is 56% of GDP does it mean States' debt is $100-56=44\%$? Not necessary. It is not linked like that. And, central govt's FRBM document silent on latest State debt as % of GDP.



27.14 🧑🏻🧑🏻🧑🏻🧑🏻🧑🏻 FISCAL FEDERALISM: HELPING THE STATES IN ATMANIRBHAR



27.14.1 🧑🏻🧑🏻🧑🏻🧑🏻🧑🏻 Helping States → Tax devolution and grants

Corona = Union's tax income ↓↓ but still Union has given the Tax Devolution & grants (कर अंतरण व अनुदान) to the states, as per the figures announced in the Budget and Finance Commission report.

27.14.2 🧑🏻🧑🏻🧑🏻🧑🏻🧑🏻 Helping States → States' Fiscal deficit limits ↑↑

⇒ Constitution Article 293: States require union govt permission before borrowing money.

⇒ Before: Union had kept states net borrowing ceiling @3% of Gross State Domestic Product (GSDP) (राज्यों के सकल घरेलू उत्पाद के 3% से ज्यादा कर्ज राज्य सरकार नहीं ले सकती)

⇒ 🧑🏻 After ATMANIRBHAR: 3% → ↑↑ to 5% for 2020-21. राज्य सरकार की राजकोषीय घाटे की मर्यादा को बढ़ाया

Sr	if State Government does following reform	State can borrow extra ₹ upto __ % of GSDP
1	No conditions /un-tied (बिना शर्तों के)	0.50%
2	a) One Nation One Ration Card System(📄 Ref: HDT-Pillar#)	0.25%
3	b) Ease of doing business reform; (📄 Ref: HDT-Pillar#)	0.25%
4	c) Urban Local body/ utility reforms; (शहरी स्थानीय निकायों गटर पानी व्यवस्था इत्यादि में सुधार)	0.25%
5	d) Power Sector reforms(📄 Ref: HDT-Pillar#5)	0.25%
6	if any 3 of the above (a-b-c-d) reforms done ***	0.50%
	Total extra borrowing limit (sum of above six rows)	2% of GSDP. Total for all States=₹4.27 Lcr

*** However, States who opt for GST compensation Option#1 Back2Backloans, will get unconditional relaxation. (गैर शर्ती छूट) (Ref: More in 📄 Pillar#2A: GST compensation)

27.15 🧑🏻🧑🏻🧑🏻🧑🏻🧑🏻 FISCAL DEFICIT TARGET FOR STATES

State Govt	2020-21	2021-22	2022-23	2023-24
Fiscal Deficit as % GSDP	3% (increased to 5% as given above)	4% + extra 0.5% depending on some conditions (=total 4.5%)	3.5% + extra 0.5% for power sector reforms. (=total 4%)	3% + extra 0.5% for power sector reforms. (=total 3.5%)

⇒ GSDP = Gross State Domestic product.

⇒ What are power sector reforms? Ref: Pillar:5- Energy infrastructure.

⇒ What is the data/target for 2024 or 25? Ans. Not disclosed in Budget speech.



27.15.1 🧠 Kerala State Deficit problem vs Union Govt bans Kerala from borrowing more

Topic still developing. Matter in Supreme Court. & it's more relevant for Mains than Prelims.

If u've time to waste → watch my video at https://youtu.be/NDluzTb6Oig?si=w0_GleTIqrGoprRM

27.16 🧠 FISCAL RESPONSIBILITY: NK SINGH FRBM REVIEW PANEL

⇒ **Budget-2016:** Finance Minister Jaitley felt FRBM Act targets were too rigid and did not allow any room for the government to address any crisis. (लक्ष्य बहुत ही सख्त थे, उन्हें लचीला बनाने की जरूरत)

⇒ e.g. farm loan waivers during drought period or unemployment allowance during global financial crisis are not possible if government strictly wants to control fiscal deficit at 3% of GDP. (अकाल में किसानों को ऋण-माफी, या नौजवानों को बेरोजगारी भत्ता देना असंभव)

⇒ So, FinMin constituted a panel under NK Singh to review the FRBM act.

⇒ I've deleted its recommendations / numbers because too outdated / NOT followed after corona.

⇒ While UPSC asked some PYQ from NK Singh Report but WE'll NOT solve it. For same reason.

27.16.1 🧠 Budget marksmanship is Poor, says 15th FC

⇒ marksman = gunman who is skilled in shooting targets. (निशानेबाज)

⇒ budget marksmanship = ability to keep income & expense within the budget targets/estimates. however in reality...

2019-20	Budget estimate (presented on 1/2/2019)	revised estimate (presented on 1/2/2020)	Actual (finalized after 31/3/2020)
Receipt → Taxes	16 Lcr	15 Lcr	13 Lcr 🤔
Expenditure → Revenue (subsidies, loan interest repayment etc)	24.47 Lcr	23.49 Lcr	23.50 Lcr 🤔

Poor Marksmanship → Targets missed

1. Tax Terrorism ↑
2. EBR ↑
3. timely release of scheme money 🙌🇮🇳
4. timely payment to road contracts 🙌🇮🇳 → quality of roads ↓



⇒ Thus the union govt is poor in budget marksmanship. (बजट निशानेबाजी में कमजोर). Why?

⇒ Because generally the income is overestimated in budget presentation to show a rosy picture (मीडिया और विपक्ष के सामने गुलाबी चित्र प्रस्तुत करने के लिए आमदनी के आंकड़ों को वास्तविक परिस्थितियों की अपेक्षा ज्यादा बढ़ा चढ़ा कर दिखाया जाता है)

⇒ but, when the tax collection target is missed → it results in:

🤔 **problem#1**) Tax authorities engaging in tax terrorism / litigation (कर आतंकवाद और मुकदमे बाजी)



Year	2012	2020
Direct Tax dispute amount	less than 3 lakh cr	nearly 10lakh cr

🤖 **problem#2)** prediction error leads to ad-hoc expenditure management → A) excessive Reliance on extra budgetary resources B) randomly cutting the scheme expenditure → not paying the contractors on time → substandard quality of construction. (अनुमान में ऐसी गलतियों के चलते व्यय प्रबंधन तदर्थ/अस्थायी रूप से किया जाता है, परिणाम स्वरूप योजनाओं के खर्च में कटौती कर दी जाती है, ठेकेदारों को पैसा वक्त पर नहीं चुकाया जाता → वे कमजोर गुणवत्ता की सड़क मकानों का निर्माण करते हैं इत्यादि)

27.17 🧰🔨👤 **FISCAL RESPONSIBILITY: FREEBIES / REVDI CULTURE**

- ⇒ 'Revdi Culture' is a term used by PM Modi to denote the bad habit of political parties to announce freebies to win elections even if they are not financially sustainable.
- ⇒ Supreme Court also criticised this & asked the union govt to take action.
- ⇒ Topic is still developing, we will revisit in Mains Course separately.

27.18 🧰🔨👤 **FISCAL RESPONSIBILITY: MISC BODIES**



27.18.1 🧰🔨👤 **Expenditure Management Commission (2014)**

- ⇒ FinMin setup under Dr. Bimal Jalan. (व्यय प्रबंधन आयोग)
- ⇒ Gave suggestions on how to ↓ ↓ fiscal deficit, how to ↓ ↓ subsidy bill etc.

27.18.2 🧰🔨👤 **Public Debt Management Agency (PDMA): सार्वजनिक ऋण प्रबंधन एजेंसी**

Shifted to Mains handout. Experts had suggested to set up this organisation, but it is not yet set up.

27.18.3 🧰🔨👤 **Fiscal Council (राजकोषीय परिषद)**

Shifted to Mains handout. Experts had suggested to set up this organisation, but it is not yet set up.

27.18.4 🧰🔨👤 **Public finance challenges: Corona ex-gratia Yojana**

- ⇒ Disaster Management Act 2005's Section 12: requires National Disaster Management Authority (a statutory body headed by PM) to recommend minimum standards of relief to person affected in a disaster. (आपदा प्रबंधन कानून की धारा 12 में ये लिखा है कि राष्ट्रीय आपदा प्रबंधन प्राधिकरण ने आपदा से प्रभावित लोगों के लिए न्यूनतम सहायता घोषित करनी होगी।)
- ⇒ Home Ministry has notified Corona as a disaster. So, PIL in SC asking Govt to pay compensation to the family of every dead person. (गृह-मंत्रालय पहले ही कोरोना महामारी को आपदा घोषित कर चुका है, तो कुछ लोगों ने सुप्रीम कोर्ट में जनहित याचिका दायर की कि कोरोना में मरे सभी लोगों के परिजनों को मुआवज़ा दिया जाए)
- ⇒ 2021-Oct: SC ordered Rs.50,000 for family of every person who died in Corona. This is posing challenges to Govt's fiscal capacity.



27.18.5 🤖📁 Challenges to Fiscal Federalism and Public Finance

Shifted to Mains Course.

AB CD ? MCQ. Which is/are included in the capital budget of India? (UPSC-Pre-2016)

1. Expenditure on acquisition of assets like roads, buildings, machinery, etc,
2. Loans received from foreign governments
3. Loans and advances granted to the States and Union Territories

Ans Codes: (a) 1 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

AB CD !? MCQ. The Railway Budget was separated from General Budget owing to: __ (EPFO-2023)

- (a) Distributive Convention of 1925 (b) Separation Convention of 1924
- (c) Bifurcation of Estimates of 1924 (d) Equalising Convention of 1925

For answers- read next section.

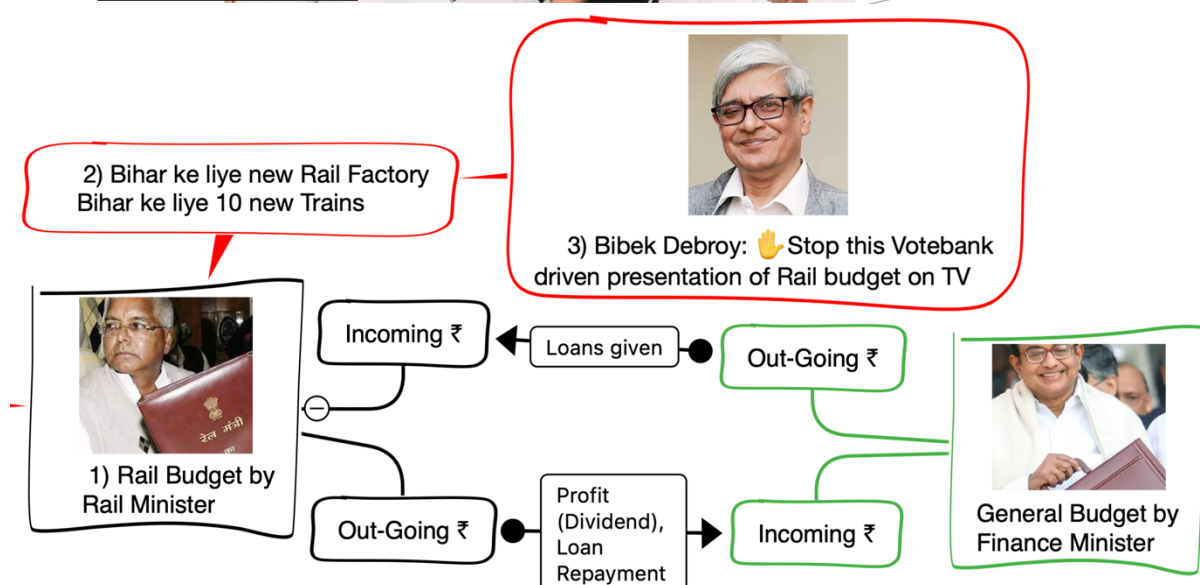
28 📁 TYPES OF BUDGET: बजट के प्रकार

28.1 REVENUE VERSUS CAPITAL BUDGET: राजस्व बनाम पूंजीगत बजट

Self-explanatory.

28.2 📁🚆 GENERAL BUDGET VERSUS RAILWAY BUDGET (आम बजट बनाम रेलवे बजट)

- 1920-21: **Acworth Committee** recommends separate Railway Budget.
- 1924: **Separation Convention** presented by Govt to separate Railway from General Budget.
- This practice continued even after Independence, first the railway minister would present the Railway budget in parliament, and after a few days finance minister will present General Budget.



- NITI Aayog's Bibek Debroy committee recommends its abolition because



- 1) No constitutional requirement (संवैधानिक रूप से यह अनिवार्य नहीं है)
- 2) During Coalition Governments, Rail budget was used for populism, cheap fares which eroded the profitability of Railways. (गठबंधन सरकारों में लोकलुभावन, भारी घाटा)
- 3) during the British time, railway revenue used to be quite large compared to other sources of revenue, but after independence, Railway revenue is quite small compared to overall General budget- So it does not deserve a special presentation.

Therefore, Modi govt merged Railway budget with General budget from 2017 (विलीनीकरण).

28.3 PLAN VS NON PLAN EXPENDITURE BUDGET:



जब प्लानिंग कमीशन ही खत्म हो गया तो Plan:Non-Plan अलग से नहीं दिखाएंगे



योजना बनाम गैर योजना व्यय बजट: is a method of classifying the expenditure side.

Since Budget-2017, Modi govt stopped the practice of displaying the plan and non plan expenditure separately because (1) No such constitutional requirement (2) Government had dissolved the planning commission in 2014-15 (3) 12th Five Year Plan (FYP:2012-17) was ending in 2017 anyways.

(More about PC & FYP in  Pillar#4C)

28.4 BUDGETING (बजट निर्माण की प्रक्रिया/ रणनीति)

It is the process / strategy with which the budget is created.

 Traditional / Line-item Budgeting	पारंपरिक / लाइन-आइटम बजट: Simply calculating the income and expenditure without measuring the underlying benefit or performance - Allot ₹ 10,000/- to buy a new bed in government hospital - Allot ₹ 50,000 to buy a new computer in government department
 Performance budgeting प्रदर्शन बजट	calculating income and expenditure tied with underlying benefit or performance - Allot ₹ 50,000 to buy a new computer with target that it should result in 30% the faster clearance of RTI-applications compared to pen and paper - Such budgeting helps measuring cost:benefit and efficiency.
 Zero based budgeting शून्य आधारित बजट	- In a traditional budgeting, the approach is “automatic and incremental e.g. “<i>Last year we allotted ₹ 50,000 crore to educational schemes, so this year we should allot 55,000 crores, lest the opposition parties create controversy.</i>” - Whereas in Zero Based Budgeting the budget is viewed as a fresh exercise from zero base. So, each department has to justify its budget demands to finance ministry. E.g. if last year ₹ 50,000 crores given to education schemes but still 60% of class 5 kids cannot read class 2 books, then we'll delete / modify that scheme.
 Sunset Budgeting	- In a traditional budgeting, once a scheme is launched it runs perpetually, even after regime change e.g. MNREGA, Mid-day Meal.



सूर्यास्त/ समयसीमा का बजट	- In a Zero Based Budgeting, schemes are reviewed every year and then they may get discontinued or continued (with or without modifications). - In Sunset Budgeting, scheme are announced with deadline. e.g. “X” subsidy for a period of two years starting from 1/1/2018. Thus, this scheme will self-destruct after deadline just like the sun will set after the sunset.
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28.5 GENDER BUDGET (लैंगिक बजट)

Gender Budget	Budget-2025
Part-A : 100% going to women e.g. SAMBAL SAMARTHYA and other schemes of Women-Child ministry. (Ref: Pillar#6)	> 1.00 lakh cr
Part-B: at least 30% going to women e.g. School education related schemes (Ref: Pillar#6)	> 3 lakh cr
Part-C: less than 30% going to women. ONLY 1 scheme written here: PM-KISAN (₹ 6000 to farmers)	>16,000 cr
Total	> 4 lakh cr

Not required in Constitution / any law. But within general budget, this data presented since 2005.

28.5.1 Gender Budget- 3 parts instead of two parts since Budget-2024-July:

BEFORE	After Budget-2024-July:
2 parts: • PART-A (100% goes to women) • PART-B (min. 30% goes to women)	3 parts- refer to previous table. Critiques allege this 3-part system is for data-dressing to paint a rosy picture. (आँकड़ों को बढ़ा-चढ़ा के दिखाने के लिए तीन भाग में बना दिया है- ऐसा आलोचकों का मानना है।)

28.6 TRIBAL SUB PLAN & SCSP

From 70s, Govt required individual ministries to earmark funds for SC/ST within their overall funds:

A. “Scheduled Castes Sub-Plan (SCSP: अनुसूचित जाति उप-योजना)” → Social Justice Ministry monitors via e-utthaan.gov.in

B. “Tribal Sub plan (TSP: आदिवासी उप योजना)” → Tribal Affairs Ministry monitors via stcmis.gov.in which is not a fancy name so we need not memorize unlike e-utthaan.

Sidenote: Although not required by the Constitution, but Government also tables separate documents showing 1) allocation for **children** 2) allocation for **NORTH EASTERN AREAS**.

28.7 OUTPUT OUTCOME FRAMEWORK FOR SCHEMES:



सरकारी योजना में सिर्फ हवाबाजी नहीं। नाप सके ऐसे वास्तविक लक्ष / टारगेट रखेंगे eg 5 cr लोगों को कॉम्प्युटर की तालिम देनी है।



योजनाओं के लिए उत्पादन परिणाम ढाँचा



Started from Budget-2017 onwards, the FinMin uploads a document showing outlay output and outcomes for each ministry and department. These are monitored by NITI Aayog. For example,

Ministry & Scheme	Outlay	Output (Deliverables)	Outcome
MEITY → Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA)	₹ 400 crores	Give computer training to 5 crore persons in rural area	Increased number of digitally literate persons in rural areas

28.8 CASH VS ACCRUAL BUDGETING: नगदी बनाम उपचय बजट

Outdated/Faded technical topic. I am deleting it from latest handout.

28.9 LAPSABLE FUNDS & MARCH RUSH: व्यपगत निधि और मार्च व्यस्तता

Appropriation act allows the government to spend funds from consolidated fund of India for a period of one year (ending in 31st March).

- If any allotted funds remain unutilised, then by the 'rule of lapse', they must be returned (& govt will have to again seek Parliament approval for the next financial year using next appropriation bill). So, in March, there is a rush among the Govt orgs to spend money (in a haphazard / reckless manner) lest they've to return it back.
- 2017-18: Finance ministry issued directive that in "In the fourth quarter (Jan to March) and in the March-Month, Govt organizations shall not spend more than "x%" & "y%" of funds". This helps controlling the March Rush.

28.10 NON LAPSABLE FUNDS & NO RUSH: बिनव्यपगत निधी

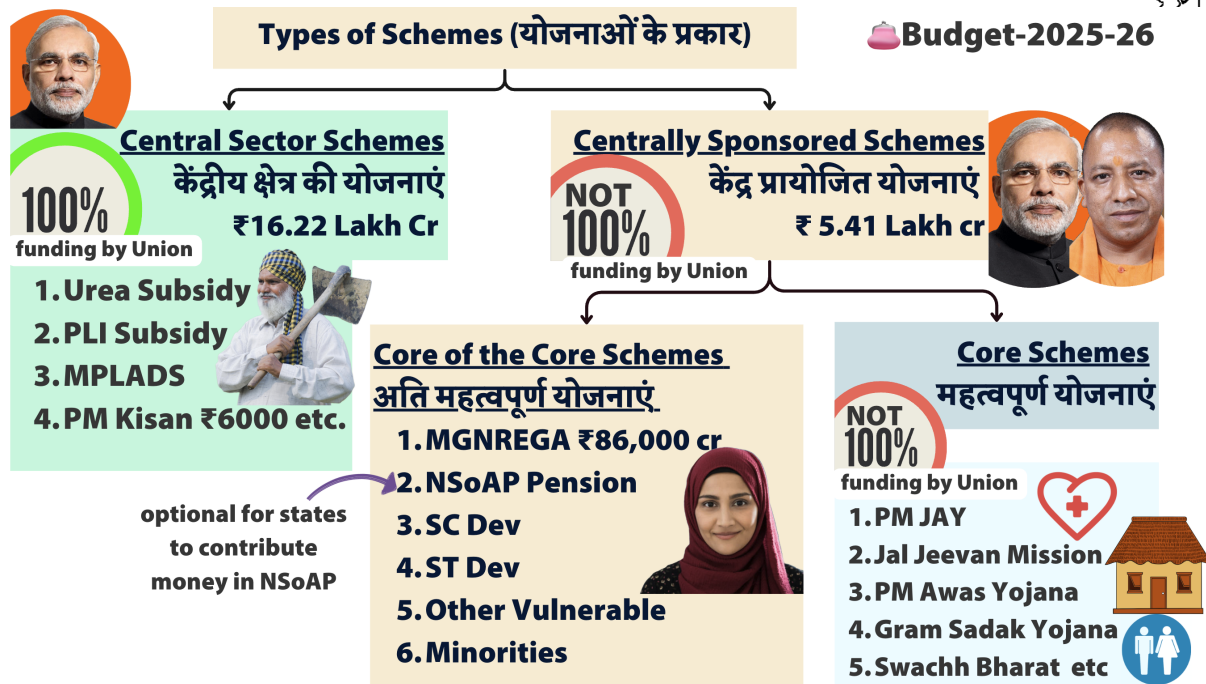
The money in such fund will not lapse on 31st March, so it can be used in future without getting another approval from parliament. e.g. Dept of Economic Affairs → Nirbhaya fund → women safety related projects.

- **Criticism?** Since fund is non lapsable, Departments become very lax in utilising it. Budget 2013 started Nirbhaya fund in the aftermath of Dec-2012 Gangrape @Delhi. The successive budgets kept adding ₹ into it. By 2018: ~3000 crore but not even 50% utilized
- 2018: Defence ministry demands "non lapsable defence modernization fund", but Finance ministry rejected for similar same reason. (money will remain unspent.)
- Although later 15th FC has recommended Modernisation Fund for Defence and Internal Security (MFDIS) ₹ 2.38 Lcr (total for 2021-26). (More in Pillar#2B: 15th FC)

28.11 TYPES OF SCHEMES (योजनाओं के प्रकार)

⇒ For any **Union Territory without Legislature**: 100% funding by Union for any scheme in any category. We will look at the schemes' features in the respective pillars.

⇒ To disburse scheme ₹ & monitor it effectively, FinMin → Dept of Expenditure Controller General of Accounts (CGA) → **Public Financial Management System (PFMS)** webportal.



28.11.1 Budget-2022: CSS rationalisation

Govt has reduced the number of CSS from 130 → ↓↓ 65. (योजनाओं की संख्या में कटौती)

- ✓ Some schemes are Stopped e.g. Dairying Through Cooperatives, National Dairy Plan-II and National Dairy Plan. (बंद कर दिया)
- ✓ some schemes are merged: e.g. (एकीकरण)
- ✓ I] previously Woman Child development Ministry was running 19 scheme is now they are compressed into just 3 viz A) Mission Shakti B) Mission Vatsalya C) Saksham Anganwadi and POSHAN 2.0. (More in Pillar#6)
- ✓ ii] Ministry of Agriculture running 20 CSSs have been rationalised into three schemes: A) Krishionati Yojana B) Integrated Scheme on Agricultural Cooperative C) Rashtriya Krishi Vikash Yojana. (More in Pillar#4A) for effective monitoring, duplication of efforts ↓↓ → subsidy bill & deficit ↓↓ (प्रभावी रूप से निगरानी, योजनाओं में प्रयत्नों का व्यर्थ दोहराव न हों, ताकि सब्सिडी और सरकारी घाटे का बोझ कम हो जाए.)

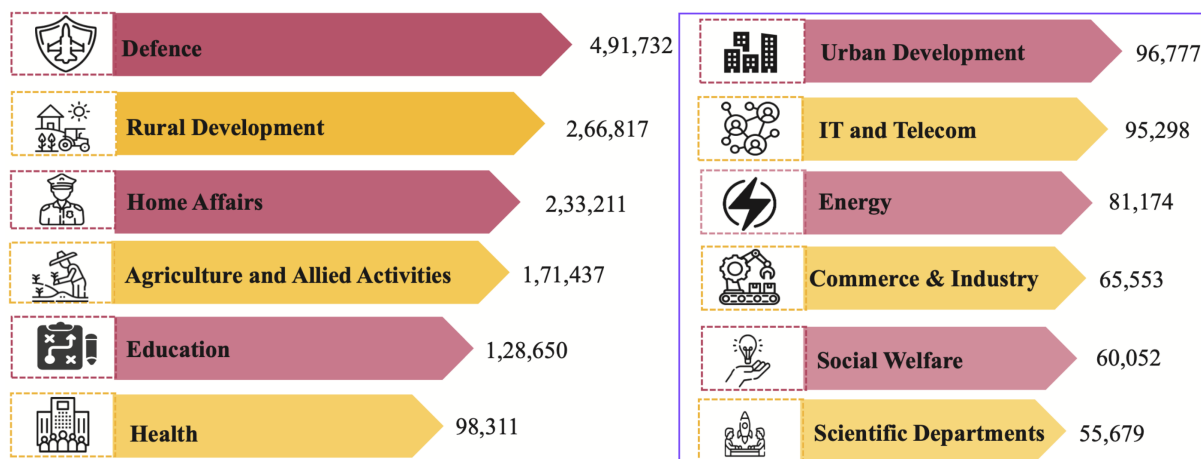
28.11.2 Govt Schemes: Result Based Financing instead of input based financing

INPUT-BASED FINANCING	RESULT-BASED FINANCING
⇒ Government will pay money for purchase of inputs.	⇒ Govt will define results e.g. daily 15km road constructed, minimum 80% of skill trainees must get job placement etc.
⇒ Then officials/contractor will built road/college, provide skill training etc.	⇒ if result not achieved then govt may not pay full amount / cut penalty.



👛 Budget-2023: for selected government schemes, we'll shift from 'input-based financing' to 'result-based financing'. (कुछ चुनिंदा सरकारी योजनाओं के लिए, हम 'इनपुट-आधारित वित्तपोषण' की जगह, 'परिणाम-आधारित वित्तपोषण' का अमल करेंगे. यानि की सरकार द्वारा तय परिणाम/सूचकांकों को ठेकेदार/अफसर हांसिल नहीं कर पाया तो पैसा नहीं मिलेगा)

28.11.3 🗝️🧠 Ministry-wise Highest Allocation (amt in ₹ crore) in 👛 Budget-2025



28.11.4 🍌 Mains Questions

Mostly centred around the – Challenges in public finance, how to curb black money, features of GST, problems in GST, significance of disinvestment, how to reduce subsidy burden, how to control fiscal deficit, how to increase the impact of government schemes etc. Covered separately in Mains Course.

Next Handout: Pillar3A: Balance of Payment



PILLAR#3A: Balance of Payment, International Trade, Currency Exchange

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30 📚🌟 PILLAR#3A: BALANCE OF PAYMENT (भुगतान संतुलन)

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
MCQs	4	4	7	7	2	4	3	1	1	

30.1 🧑🎓 ACADEMIC DISCLAIMER

Sir! aajkal aap ko kis type ke topics ki KHUJLI machi hai?

B.Com/MBA type ka puchhne ki..खुजली मची है मुझे!

@UPSC HQ

PYQ-Examples	1C	• NDS-OM, • Beta in sharemarket, • income tax on IIB Bonds • income tax on InVITs
	1B2	• INVITs = borrowers in SARFAESI?
	2D	• Capital expenditure of company • Intangible assets of company

so I'm adding some more pages/topics in HDT.

BUT ONLY upto how much i find relevant

• compare contrast X with Y?

• if A subtopic of B?

Ans. plz read boycott notice in Pill#1C and Ashwasthama disclaimer in 2D (Deficit)

Q. can i skip this?

Ans. yes, IF u can memorize all medieval dictionary terms & all places in map & all animal behaviours to cross cutoffs

Mrunal Handout too long.

vloggers

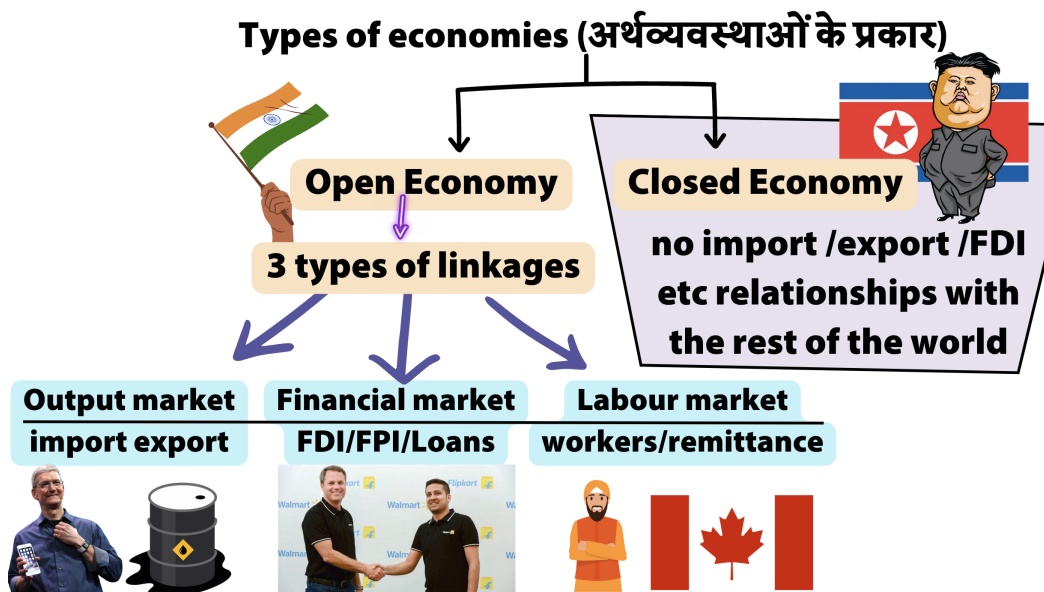
Ans. I accept without SHAME. now go make videos on royal entry, 100 Mostimp topics, subah 4 baje uthke padhaai & exam se 5 min pahele ki strategy.

30.2 🚢🔄 BENEFITS OF INTERNATIONAL TRADE

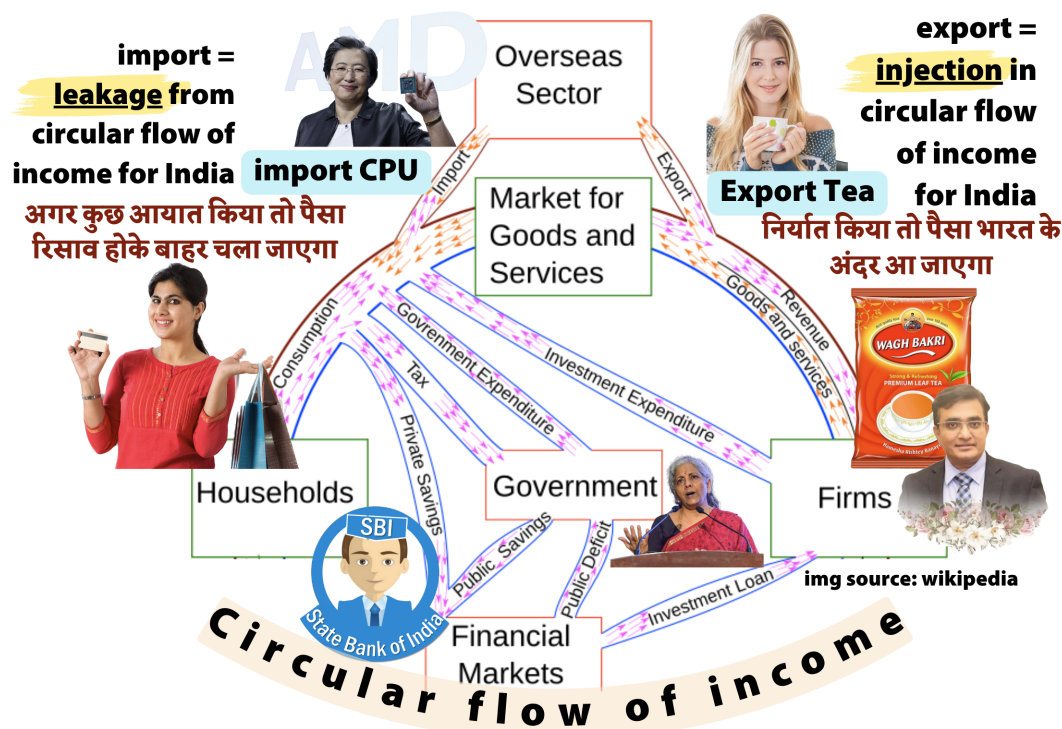
Stakeholder	Benefits
To Govt	Earning of forex, jobs, GDP, efficient use of resources (men, material), increase income → improved standard of living
To (exporting) Companies	more customers, more profit, increased capacity utilisation, way out (escape) from intense competition within domestic market.
To Customers	improved choices - in terms of quality and price.



30.2.1 Types of Economies



30.2.2 Circular Flow of Income & Import Export



30.2.3 🤖 Entry into international business - various modes/types

Type	Meaning / Example	Challenges
import export	simplest form of entry into intl. business	cost/risk of packaging-transport, Taxes, protectionism, exchange rate, geopolitical problems (Taiwan, Ukraine, Palestine)
Contract manufacturing /	e.g. Tata making iPhones for Apple	Quality control. Contract manufacturer (Tata) will not make as much % profit as the original



Type	Meaning / Example	Challenges
outsourcing	Godrej making Dettol soaps for Reckitt and Colman.	company (Apple)
Franchising (services)	Dominos Pizza (USA) → JUBILANT FOODWORKS (India).	1) Quality control. 2) Royalty fees/payment. 3) Danger to the original brand that later on Franchisee may pirate/misuse the trade-secrets/receipts to launch a similar product.
Licensing (goods mfg)	Pepsi → Varun Beverages	Similar to Franchising
Joint venture	Hero Honda = Hero Group of India and Honda of Japan. (later on venture was terminated around 2010)	- Leak of trade secrets - Clash of egos/ideas of the two companies' top bosses.
Wholly Owned Subsidiaries	Standard Chartered Bank (India) is 100% owned by Standard Chartered Bank (UK Parent).	- Issues related to taxation, transfer pricing etc. - Business stability depends on political/diplomatic relation between the two countries e.g. Canada/USA arrested Huawei top official then China started taking action against American companies in China (2019–21).

• 🧐 FAQ1: what is the difference between contract manufacturing and licensing and joint venture? Ans. Academic disclaimer on top of HDT3A. थोड़ा-पढ़ो-आगे-बढ़ो.

• 🧐 FAQ2: you mentioned the challenges, but what are the benefits? ✅ Ans. Apply common sense around how such partnerships or deals could help in the capital/investment, risk-taking, innovation & Idea exchange etc.

30.2.4 📄 Documents related to Import/export

Document	Meaning / example
quotation / proforma invoice	I (Exporter) can supply you (importer) tea at X price on Y date.
indent / Receipt of order	I (importer) agree with your (Exporter's) quotation & I want buy _ _ _ kg tea at the price quoted by you.
Importer-Exporter Code	Indian importer/ exporters have to get this number / license/registration number from Directorate General Foreign Trade (DGFT, under Commerce Ministry)
Certificate of Inspection	Indian exporter may have to get this from Export Inspection Council of India (EIC, under Commerce Ministry)- depending on the type of product.
Certificate of origin	1) Suppose USA banned Chinese seafood. Then Indian exporter need to



Document	Meaning / example
	produce certificate to USA-officials ke “my product is from India (and not from China)”. 2) Suppose India signed free trade agreement (FTA) with Sri Lanka ke 0% import tax (customs duty) on Srilankan Ink → Srilankan seller need to show certificate to Indian officials ke “my product is made in Sri Lanka (and not in China)”
End-user certificate (EUC)	e.g. If USA sells fighter jets to Pak Airforce (PAF), then PAF has to certify to USA that we (=PAF/buyer) are the final recipient of the materials, and we are not planning on selling/transferring the jets to another party e.g. Hamas/Taliban. EUCs are required by many govts to restrict the flow of the materials to terrorism-supporting nations.
Shipping/Courier related docx	e.g. carting order, cart ticket, mate's receipt, bill of lading, airway bill: what do they mean? How do they work? not important.
Demurrages	Mundra Port owner (=Adani) will demand penalty fees from the importer/exporter/shipping company IF those players cause delays in loading/unloading cargo in Adani's port.

30.2.5 Docx related to Loans - Bill of Exchange

importer
Debtor
Drawee



Bill of Exchange
(import Export)

Dear importer
plz pay \$5000
To my Banker SBI by
deadline _ _ _ Date



Exporter
Creditor
Drawer



Payee



- if importer pays by deadline = **0% interest.**
- **After deadline = X% interest**

मुझे Ph.d कराओ



how is this similar different
than Bill of Exchange &
TREDS & Factoring that we
learned in Pillar1C

Ans. Don't make
Khichdi.



1 LINER



30.2.6 Docx related to Loans - others

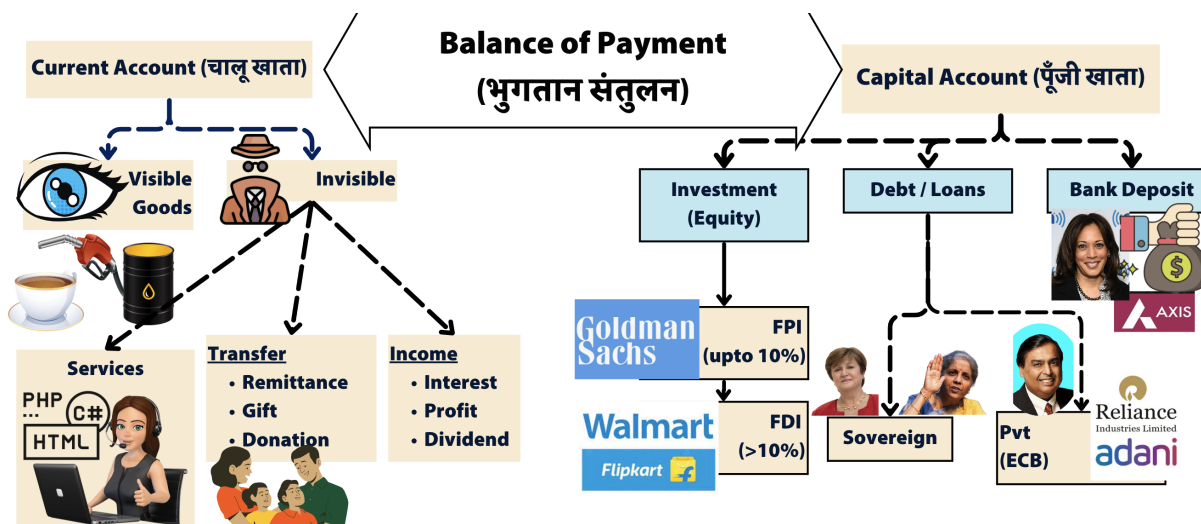
Document	Meaning / example
Export Credit Guarantee /	<u>NIRVIC Scheme: e.g. ECGC's letter to SBI:-</u>



Document	Meaning / example
Export Credit Insurance (Ref: Pillar#1D)	Dear@SBI please approve the loan to Indian Exporter. If he doesn't repay loan, we'll cover _ _ _ % losses.
Letter of Credit / Letter of Undertaking for importer (Ref: Pillar#1B2-NPA)	PNB (Mumbai Branch)'s letter to HSBC (HongKong): Dear@HSBC Bank (HongKong) plz give foreign currency loan to our client (Indian importer) Nirav Modi for import of diamonds. If he doesn't pay, we (PNB) will pay.

FAQ: How are above two terms (export credit guarantee versus letter of credit) similar to different? Can't we say X is a sub-topic of Y? Ans. If you are intelligent enough, then you will find out that one of the product is primarily targeting importer and other is meant for exporter. But anyways that's Not imp4exam. थोड़ा-पढ़ो-आगे-बढ़ो. 🐾✅🐾🙌

30.3 🚢 BOP- MEANING / DEFINITION



- BoP is a systematic record of all economic transactions made between the residents and non-residents of a country for a specific time period, usually a year. किसी देश के निवासियों और गैर-निवासियों के बीच किए गए सभी आर्थिक लेनदेन का एक रिकॉर्ड है।
- Central Banks of each country prepare BoP records as per the format given in IMF's BPM-6 manual, all the figures are expressed in Dollar\$.
- Since any country's debit (outgoing money) is a credit (incoming money) for another country → World's NET Balance of Payment is ZERO.
- BoP is further sub classified into two parts → Current Account (चालू खाता) and Capital Account (पूंजी खाता), based on the nature of transactions.

30.4 🐱 RBI'S (ACTUAL/REAL) METHOD OF CLASSIFYING BOP

🚢💎 Current Account	📁💰 Capital & Financial Account
Goods and services	1. Direct Investment (FDI)
Primary Income: wages, dividend, interest	2. Portfolio Investment (FPI)
Secondary income: remittance, gift, donation	3. Loans / External Commercial Borrowing



📦🏆💎 Current Account	🏠💰 Capital & Financial Account
	(ECB) 4. Non-resident's investment in Bank, Insurance, Pension schemes. 5. RBI's foreign exchange reserve

However, for the purpose of learning, we'll continue with the traditional classification given in the textbooks (and in below image)

30.1.1 🇮🇳 Notes about the Data Tables in this Handout Pillar#3A

- In most of the tables, I've used data of a stable/normal year 2018-19 to explain theory basics. Because subsequent years' data trends have some abnormal trends due to economy slowdown (in 2019), Corona (in 2020 & 21), Russia-Ukraine war (2022).
- 🇮🇳 Where is the latest Data of BoP for 2024? Ans. It is yet to come, bcoz financial year ends on 31/3/25 → RBI takes almost May/June for releasing it. Eco Survey'25 talks about only 9 months data from Apr-Dec'24= not MCQ worthy.

30.5 📦🏆 BALANCE OF PAYMENT → CURRENT ACCOUNT →

Component	NET Amount in billion dollars	2018-19	2019-20	2020-21
Visible दर्शनीय	Trade in Goods	-180	-157	-102
Invisible अदृश्य	Trade in Services	+82	+85	+88
	Primary Income: Wages, Profit, Interest, Dividend.	-28	-27	-36
	Secondary Income/Transfer: Remittance, Gift, Grants, Donations.	+70	+75	+73
Net Current Account Balance (if negative: "Deficit")		😞 -57 Bn (Deficit)	😞 -24 Bn (Deficit)	😄 +24 Bn (+0.9% GDP)

- 1) From 2001-04: We had Current Account Surplus (चालू खाता अधिशेष) because, it was a time before the USA's subprime crisis when global economy boom had ↑ our exports). But then we started to have deficit. India's current account deficit averaged -2.2% GDP in the last 10 years.
- 2) 2020-21: Corona- imports ↓ compared to export (and we managed to export decently in the Pharmaceutical and IT sector). So, India witnessed a Current Account surplus for the first time (2020-21) after last 17 years! कोरोना महामारी व तालाबंदी के चलते आयात में भारी गिरावट के चलते पिछले 17 सालों में पहली बार चालू खाता घाटा नहीं, चालू खाता अधिशेष हुआ!

CAD	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020-21	2022-23	2023-24
as % of GDP	-4.3%	-4.8%	-1.7%	-1.3%	-1.1%	-0.6%	-1.8%	-2.1%	-0.9%	Surplus +0.9%	DEFICIT -2%	DEFICIT -0.7%

30.6 📦🏆 BALANCE OF TRADE (BoT व्यापार का संतुलन)

(Definition) Balance of Trade is the difference between the value of import and export of _ _ _ .

- ✅ Of Goods (as per NCERT.)
- ✅ Of Goods and Services (as per IMF balance of payment manual)



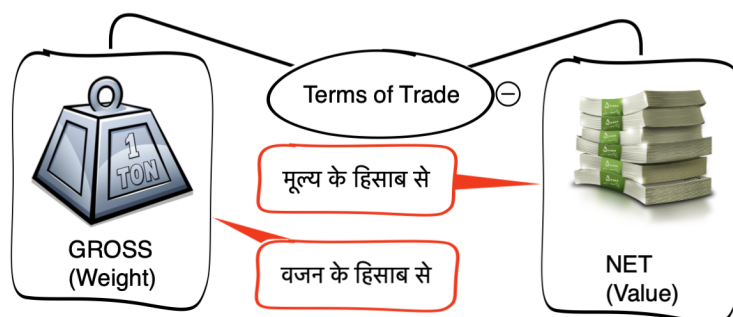
FAQ: So what to tick in MCQ? Ans. well depends on the context of the MCQ.

Balance of Trade	Amount in Billion \$ for Year 2018-19
Export Goods	+330
Import Goods	-510
Export Services	+208
Import Services	-126
Balance of Trade (ONLY Goods)	+330-510 = (-180) 🤖 TRADE DEFICIT in GOODS
Balance of Trade (ONLY Services)	+208-126 = (+) 82 🤖 TRADE SURPLUS in Services
Balance of Trade (Goods & Services Combined)	+330 Goods + 208 Services-510 Goods – 126 Services= (-98) = 🤖 TRADE DEFICIT

30.1.2 📖🏆 Net Terms of Trade (NTT) or Commodity terms of trade

$$NTT = \frac{\text{Value of export}}{\text{Value of import}} * 100 = \text{for India its } < 100 \text{ (usually)}$$

 Meaning (\$ or value) wise we are importing more and exporting less.



30.1.3 📖🏆 Gross (Barter) Terms of Trade (GTT, सिर्फ प्रिलिम के लिए, अतः हिंदी अनावश्यक)

$$GTT = \frac{\text{quantity vol of import}}{\text{quantity vol of export}} * 100 = \text{for India its } < 100 \text{ (Usually)}.$$

So, in physical quantity (kg, litres) we are exporting more than importing. This is possible because exported Indian rice's quantity (kg) could be large even though its value (\$) will not be very large.

30.1.4 📖🏆 Income terms of trade (ITT)

$$ITT = \left(\frac{\text{Value of export}}{\text{Value of import}} \right) * (\text{Quantum index of exports } QIE) = (\text{Net terms of trade}) * (QIE)$$

👉 Formula not important. What is quantum index of export = not important.

For India and other developing countries, ITT is much relevant indicator for analysing their foreign trade compared to previous 2 indicators. Why? Ans. not important.

30.2 📖🏆 TOP IMPORT AND EXPORTS OF GOODS FOR INDIA:

FAQ: do I've to memorize this? Ans. Yes, IF giving Non-IAS exams, esp. StatePSC exams.



30.2.1 Notable Import / Export Goods as per 📖 ES23

	NOTABLE EXPORTS	NOTABLE IMPORTS
Goods	Petroleum products e.g. Naphtha Bitumen, Lubricants, Wax, etc), gems & jewellery, organic & inorganic chemicals, drugs & pharmaceuticals	Crude oil, electronic goods; coal, machinery, gold, chemicals
Services	Telecommunications, computer and information services, transport, travel, financial services, financial services	Business services, transport, travel, fees paid for using intellectual property (e.g. drug patents)

📖 ES24: observations: - India's major exports (2023-24): Consumer goods (e.g. Fridge) > Intermediate Goods (e.g. Fridge ka Compressor) > Capital Goods (machinery) > Raw Material.

30.6.1 🚢 Import export- notable developments (2024-25) / 📖 ES25:

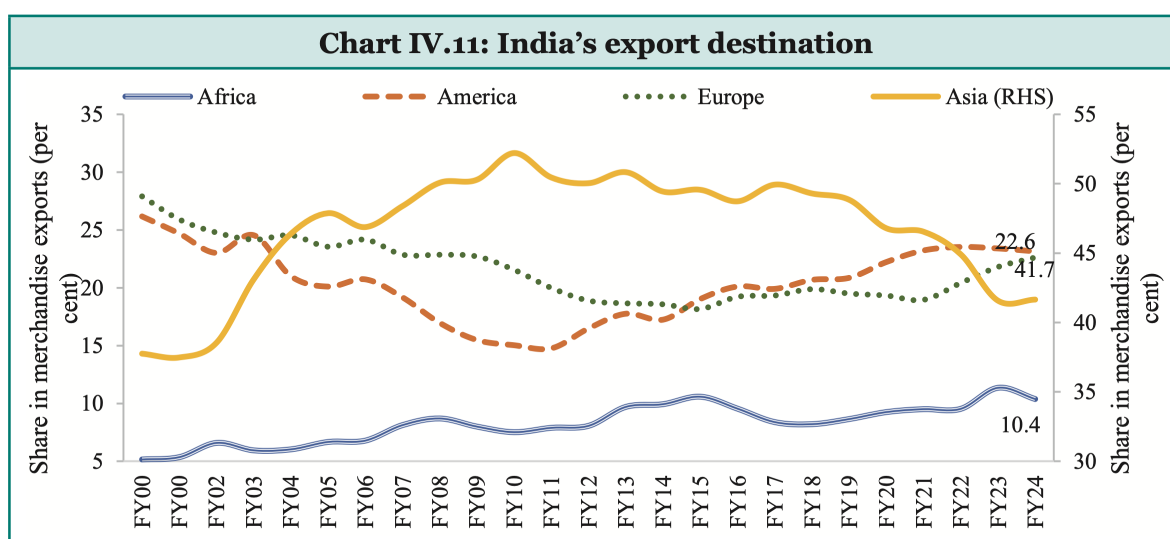
- India is the second largest buyer of polished diamonds after USA.
- Indian coffee exports climbed to \$1 bn first time (2024)
- India's Smart phone exports crossed ₹ 21.7 lakh cr (2024-25)
- Gold imports increased due to (1) higher international prices, (2) bulk purchase by jewellers ahead of festival spending (3) demand for safe-haven assets after sharemarket fall.
- We've diversified our exports to new markets, such as Zimbabwe, Vietnam, Tanzania, Uganda, Tunisia, Romania, Qatar, etc., beyond the USA and Europe. This diversification strategy reduces risks of market fluctuations (e.g. Trump's tariff war)

30.2.2 🇮🇳 India's TOP Agriculture Exports

🐟 (1) Marine Products, (2) NON-Basmati Rice (3) Spices, (4) Sugar, (5) Buffalo Meat, (6) Basmati-Rice, (7) Cotton, (8) Wheat, (9) Castor Oil, (10) Misc. Processed Food

🚩 FAQ: Why not given Top-10 in all sectors, why gave only important names? Ans. Feel free to sort data from Statistical Appendix of Eco Survey. But poor cost benefit. Apply logic/guesswork/skip.

30.2.3 🛒👉 India's trade partners: Import / Export as per 📖 ES23





Top Destination of Indian Exports (भारत के कुल निर्यात में ज़्यादातर हिस्सा)	Top Sources of Indian Import (भारत के कुल आयात का ज़्यादातर हिस्सा)
1. USA 2. UAE 3. Netherland 4. China, 5. Singapore, 6. Saudi Bangladesh, Germany, Italy etc.	1. China 2. UAE (Gold, Crude Oil) 3. USA Other notable partners: Saudi, Iraq, Switzerland, Hong Kong (Diamonds) , Indonesia (due to Palm Oil) , Singapore , S.Korea

30.2.4 India's trade partners: Trade Surplus / Deficit With Notable Countries

Trade Deficit (i.e. India imports more but exports less to these nations)	Trade Surplus (i.e. India imports LESS but exports MORE to these nations)
We've large Trade Deficit : व्यापार घाटा with ⇒ China (cheap electronics, toys etc.) over 50 billion\$ ⇒ Middle Eastern nations (Oil import esp Iraq, Saudi, Qatar). ⇒ Switzerland (Gold, Luxury items), ⇒ S. Korea (mobile, TV, electronics)	We've Trade Surplus : व्यापार अधिशेष with - USA (Chemicals, textile, services etc.), - Britain, Netherlands, Turkey (Tea, Spices, textile etc.), - Bangladesh, Nepal (Food, medicine, vehicles etc)

30.6.2 India's top five trading partners

- Trading Partner= nations with whom we've largest value of import & export relations
- Top 5 = USA, China, UAE, Saudi Arabia and Hong Kong

AB CD ? MCQ. The balance of payments of a country is a systematic record of (Pre-2013)

- (a) All import & export transactions of a country during a given period of time, normally a year.
 (b) Goods exported from a country during a year.
 (c) Economic transaction between the government of one country to another.
 (d) Capital movements from one country to another.

AB CD ? MCQ. Which of the following does not form part of current account of BoP? [UPSC-CDS-2014-II]

- (a) Export and import of goods (b) Export and import of services
 (c) Income receipts and payments (d) Capital receipts and payments

AB CD ? MCQ. With reference to Balance of Payments, which of the following constitutes/ constitute the Current Account? (Asked in UPSC-Pre-2014)

1. Balance of trade. 2. Foreign assets. 3. Balance of invisibles. 4. Special Drawing Rights.
 Answer codes: (a) 1 only (b) 2 and 3 (c) 1 and 3 (d) 1, 2 and 4

AB CD ? MCQ. Among the following, which one of the following is the largest exporter of rice in the world in the last five years? (Pre-2019) (a) China (b) India (c) Myanmar (d) Vietnam

AB CD ? MCQ. Among the agricultural commodities imported by India, which one of the following accounts for the highest imports in terms of value in the last five years? (Pre-2019)

- (a) Spices (b) Fresh fruits (c) Pulses (d) Vegetable oils

AB CD ? MCQ. Since 2014-15, India has consistently run trade surplus with which one among the following countries? (UPSC-CDS-2020-ii) (a) China (b) Saudi Arabia (c) USA (d) Germany

AB CD ? MCQ. Find correct statement(s) about international trade of India at present? (Prelims-2020)



1. India's merchandise exports are less than its merchandise imports.
2. India's imports of iron steel, chemicals, fertilisers and machinery have decreased in recent years.
3. India's exports of services are more than its imports of services.
4. India suffers from an overall trade/current account deficit.

Ans Codes: [a] 1 and 2 only [b] 2 and 4 only [c] 3 only [d] 1, 3 and 4 only

MCQ. Consider the following statements: (Prelims-2020)

1. The value of Indo-Sri Lanka trade has consistently increased in the last decade.
2. Textile and textile articles" constitute an important item of the trade between India and Bangladesh.
3. In the last five years, Nepal has been the largest trading partner of India in South Asia.

Codes: [a] 1 and 2 only [b] 2 only [c] 3 only [d] 1, 2 and 3

MCQ. Find wrong abt India's services export (CAPF-2025)

1. India's share in global services export has more than doubled, reaching around 4.3 percent in 2023 from 1.9 percent in 2005. (CORRECT)
2. Travel and Transport services represent areas where India holds a relatively larger share in global export, at 10.2 percent and 8.5 percent respectively in 2023. (WRONG: it is ~2% and not 8-10%)

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

Note: st1 right, st2 wrong. But, such MCQ directly lifted from Economic Survey. It is **not possible** to memorise all such data. Better prepare other subjects.

30.6.3 Service Sector Exports → Global Capacity Centres (GCC)

- Also called captive centres, global in-house centres (GIC)
- GCCs provide services in operation, product development and innovation.
- GCCs provide services banking and financial services, software, telecom and semiconductors, aerospace, automotive, oil and gas, healthcare and pharma.
- 1985: Texas Instruments was the first to setup GCC in Bengaluru.
- 2023: 150+ MNCs (multinational corporations) running 1600+ GCC in India, employing 32 lakh people, primarily engineers and scientists.
- Budget-2025: we will develop in tier 2 cities. (Tier2 means city population 50,000 to 99,999- as per RBI definition.)

30.3 REPORTS / INDICES RELATED TO EXPORT & REMITTANCE

Export Preparedness Index by NITI (निर्यात तैयारी सूचकांक)

- ⇒ It ranks the Indian states based on State govt policies, infrastructure, transport connectivity, ease of doing business etc. (राज्य सरकार की नीतियां, बुनियादी अवसंरचना, परिवहन, व्यापार में सुगमता)
- ⇒ Overall, most of the Coastal States are the best performers. (तटीय राज्य सर्वश्रेष्ठ प्रदर्शन)
- ⇒ Further sub-rankings for categories - 'Coastal', 'Landlocked', 'Himalayan', and 'UTs/City-States'.
But poor cost benefit preparing the whole list for exam.

30.3.1 Global Survey on Digital and Sustainable Trade Facilitation by UNESCAP

- ⇒ By United Nations Economic and Social Commission for Asia Pacific's (UNESCAP).
- ⇒ It gives % score based on Govt's efforts for Transparency, ↓ Formalities, Institutional Cooperation, Cross-Border Paperless Trade. But Ranking NOTIMP.

30.3.2 Report: Goods Trade Barometer Index

- ⇒ by World Trade Organization (More in Pillar#3B: International Orgs.)



⇒ This index signals changes in world goods trade growth.

⇒ If Index value > 100: 😊. But less than 100 = 😞. Value is 96.1% (as of 2022-Dec)

30.6.4 🇮🇳🇮🇹 REMITTANCE: WORLD BANK'S REMITTANCE REPORT (धनप्रेषण)

- Since 2008: largest amount of remittance received by 1) India 2) China 3) Mexico.
- 2024: (1) India (2) Mexico (3) China. Then Philippines, France, Pakistan, Bangladesh.
- 📖 ES24: remittance is 2nd largest contributor to current account income, after services export.
- World Bank also noted: remittances have a direct impact in poverty removal for many households, (धन प्रेषण से गरीबी उन्मूलन में मदद मिलती है)

30.6.5 🇮🇳 Positive relationship between Oil Prices & Remittance says 📖 ES24:

- India's primary source of remittances is oil-exporting countries.
- Crude oil prices ↑ → more profit for Oil companies in Middle East → more demand for Indian workers → more remittance to India.

30.6.6 🇺🇸🇮🇳 Remittance Tax by Trump (2025)

- U.S. government imposed a 3.5% tax on outward remittances starting from 1/Jan/2026. (Note: originally Trump said 5% → then reduced to 3% . This number keeps changing)
- Critics fear that this tax will discourage NRIs from sending money from the USA to India, harming India's remittance inflow. AND / OR
- NRIs may use illegal channels like the Hawala network / Bitcoin etc. to avoid the tax - it'll ↑ mafia involvement in global transactions.

30.3.3 Indian migrants' key destinations - 📖 ES23

	BEFORE (पहले इधर)	NOWADAYS (आजकल प्रवासी मज़दूर इन देशों में ज़्यादा जाते हैं)
Destination	Gulf nations	USA, UK, East Asia, Singapore, Japan, Australia, NZ
Job types	low-skilled, informal	high-skilled jobs in high-income countries

30.3.4 🇮🇳🇮🇹 Report: Misc.

Report	Organization
Migration and Development Brief	World Bank
Global Migration Report	International Organization for Migration (IOM, HQ: Geneva, Switzerland) - a related organization of UN

30.6.7 🇮🇳 Remittance / Migrant workers → Pravasi Bharatiya Diwas (PBD)

1915	9th January: Gandhi-ji returned from S.Africa to Bombay (India).
2003	NDA-I (PM Vajpayee) decides to celebrate Pravasi Bharatiya divas (PBD) annually every 9th January. First summit @New Delhi. Presently organized by Ministry of External Affairs
2015	⇒ NDA-II (PM Modi) converts PBD into "biennial" event i.e. grand festival every second year (भव्य उत्सव/रंगारंग कार्यक्रम हर दूसरे साल) ⇒ every other year, only a small event in India, & regional PBD event in a foreign country
2022	just a small scale event. Not grand event. भव्य रंगारंग कार्यक्रम नहीं. क्योंकि वो तो हर दूसरे साल करते हैं।
2023	@Indore, MP. Theme is "Diaspora: Reliable partners for India's progress in Amrit Kaal".
2024	read 2022's row/cell. (भव्य उत्सव/रंगारंग कार्यक्रम हर दूसरे साल)



2025 | 8-10th Jan in Bhubaneswar, Odisha. Theme: "Diaspora's Contribution to a Viksit Bharat".

30.7 📊 BALANCE OF PAYMENT → CURRENT ACCOUNT → IMPORT OF OIL

- Govt's target of ↓ oil import by 10% by 2022 (compared to 2015).
- Therefore, boosting domestic oil exploration & production is necessary. So,

30.3.5 📊 Domestic Oil Exploration Policies?

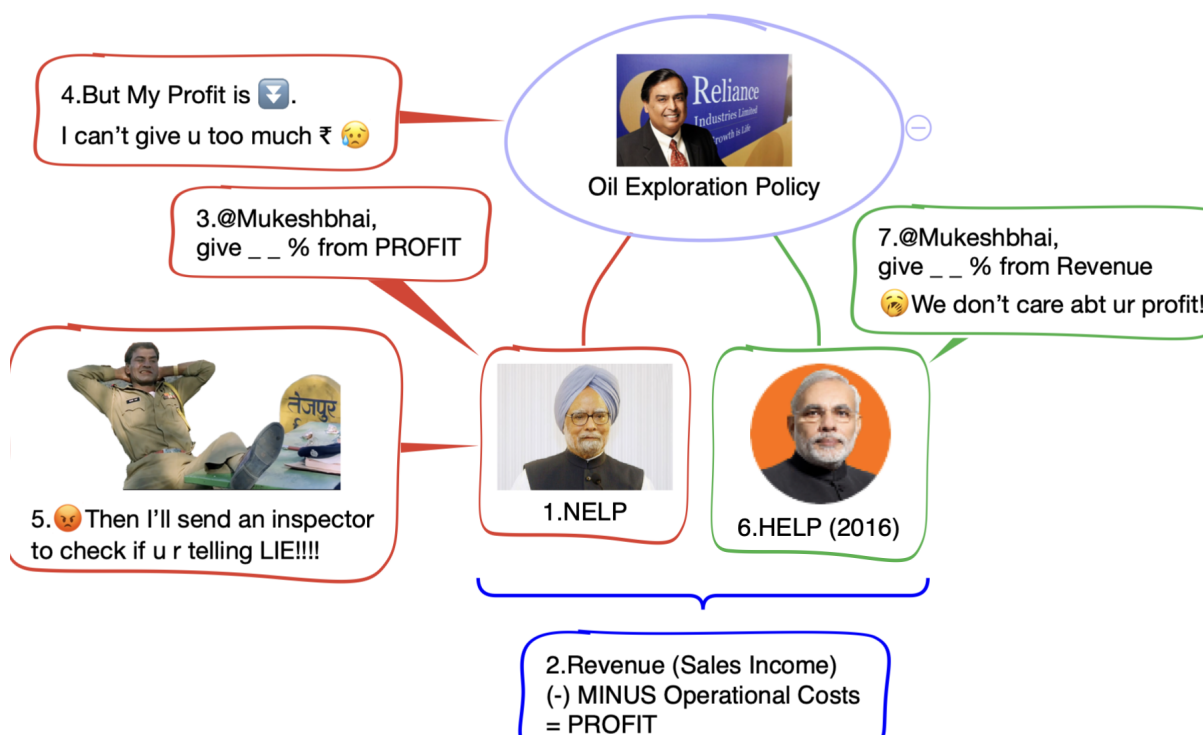
- ⇒ Nodal? Directorate General of Hydrocarbons: हाइड्रोकार्बन महानिदेशक (DGH) Ministry of Petroleum & Natural Gas. पेट्रोलियम और प्राकृतिक गैस मंत्रालय
- ⇒ Before the 1991's LPG reforms, only ONGC and other Public sector companies were allowed to explore the oil, gas and hydrocarbon reserves in India. But under 1991's Liberalization norms, this sector was opened for the private sector players as well. (पहले केवल सरकारी कम्पनियां कर सकती थी. हालाँकि बाद में निजी क्षेत्र की कम्पनियों को भी उद्गारीकरण नीति के अंतर्गत अनुमति दी गई है)
- ⇒ 1997: New Exploration Licensing Policy (NELP: नयी अन्वेषण अनुज्ञप्ति नीति) to award contract to public and private sector companies using bidding / auction system.

30.3.6 📊 NELP's primary limitations were →

Separate license required for each type of hydrocarbon.

NELP worked on production sharing contract (PSC: उत्पादन साझाकरण अनुबंध), wherein the Oil Explorer will pay a share to Govt from the profits from production. However,

- ⇒ Indian producers allegedly exaggerated their production costs to show less profit. → Govt earned less, and will do more 'inspector raj' to check account books → No ease of doing Biz. (उत्पाद खर्च को बढ़ा चढ़ा के दिखाया जाता ताकि मुनाफा कम दिखे)



30.7.1 📊 HELP Policy (हाइड्रोकार्बन अन्वेषण और अनुज्ञप्ति/लाइसेंसिंग नीति)

In 2016, NELP was replaced with Hydrocarbon Exploration and Licensing Policy (HELP).

- ✓ Single uniform license sufficient to explore and produce all type of hydrocarbons from the given



area. (oil, gas, coal bed methane, shale gas, tight gas and gas hydrates etc)

- ✓ Govt to receive a **share from gross revenue** from sale of oil / gas etc, irrespective of company's profit. (बिक्री से हिस्सा देना होगा, सरकार को आपके मुनाफे से कोई लेनादेना नहीं)
- ✓ Government **not to interfere** in the marketing and pricing of the oil and gas.
- ✓ **Relaxed norms for exploration** in offshore areas, because they have higher risk and higher cost of production. (समुद्र में तट से दूर क्षेत्रों में खोज के लिए सुगम मानदंड)
- ✓ **Open Acreage Licensing Policy (OLAP)** → company can pick and choose the blocks from the designated area, even if no specific bids are invited by Govt before. Then Govt will invite other companies for auction.
- ✓ **2019-July:** Govt finished auctioning process of HELP-OLAP round 2 and 3.

30.7.2 🇮🇳 India's Strategic Oil Reserves (भारत के सामरिक तेल भण्डार)

Objective? (When crude prices are low) India should buy and store crude oil for strategic-cum-buffer stock → use during war & other emergency. दाम सस्ते चल रहे हो तब, खरीद के भंडारण कर लेना चाहिए

- Ministry of Petroleum & Natural Gas → Govt petro companies → places such Visakhapatnam (Andhra), Chandikhol (Odisha), Padur & Mangalore (Karnataka) etc.
- They're stored in underground rock cavern facilities = more secure / safe during airstrikes, more economical and environmental friendly than conventional 'Above Ground Storage Tanks'

30.7.3 🇮🇳 Leasing out the 1 million tonnes of vacant strategic crude oil storage

- Ministry of petroleum → India Strategic Petroleum Reserves (ISPRL) company has built over 5 million tonne while storage capacity at (1) Visakhapatnam in Andhra Pradesh, (2) Mangalore and Padur in Karnataka
- But at present, govt does not enough money/desire to buy and fill-up 100% capacity in these tanks / underground caverns.
- 2024-Feb: Govt decided to rent/lease out 1 million tonne storage capacity to (deshi & foreign) private sector companies.

30.7.4 🇮🇳📈📉 Crude Oil prices & OPEC (कच्चा तेल)

⇒ 1961: Organization of the Petroleum Exporting Countries (OPEC: पेट्रोलियम निर्यातक देशों का संगठन) is a group of oil producing countries Saudi, UAE, Venezuela, Iran, Iraq etc.... total 14 members.

HQ: Vienna city of Austria.

⇒ Qatar withdrew from 1/1/19. Russia is NOT a member. (रशिया/ रूस इसका सदस्य नहीं है)

Depending on following factors of supply versus demand, there have been ups and downs in the oil price movement in the last 3 years: आपूर्ति और मांग के कारकों के चलते कच्चे तेल के दाम कम/ज्यादा होते हैं

Crude Oil	Supply Side Factors (आपूर्ति)	Demand Side (मांग)
Price up ↑ तेल कब महंगा हो जाता है	<u>When Supply Decreases ↓</u> ⇒ Whenever OPEC + Russia agreed to reduce their oil production ⇒ 2019: Houthi (a Shia rebel group of Yemen with Irani support) Drone-attacked oil field of Saudi Arabia	<u>When Demand Increases ↑</u> ⇒ When economic growth ↑ in USA, China, EU → ↑ demand for petroleum, plastic industry ⇒ Post-Corona unlockdown → travel ↑



Crude Oil	Supply Side Factors (आपूर्ति)	Demand Side (मांग)
	→ Oil production down.	→ Oil demand ↑
Price down↓ कब सस्ता हो जाता है	<u>When Supply Increases↑</u> ⇒ When OPEC+Russia can't agree for production cuts ⇒ When Saudi Arabia ↑ supply to reduce global prices to harm Iranian Oil export business. ⇒ When USA pressurizes Nigeria, Iraq etc to produce more oil ⇒ When USA also increases its own domestic oil and Shale Gas Production	<u>When Demand Decreases↓</u> ⇒ When economic slowdown → demand for petroleum ↓ ⇒ Corona: Travel Ban ⇒ Chinese imposing more Taxes on imported American/Japanese cars → ↓ car sales → ↓ oil demand in China

⇒ 2021-Feb: India's biggest oil suppliers: 1) Iraq 2) USA 3) Saudi. Saudi Arabia ranked shifted from #2 to #3 because Saudi has been ↓ cutting down its production to raise prices.

⇒ 2021-April onwards: OPEC+ decided to gradually ↑ the production. Thus daily news keeps going on....If any MCQs asked, solve through 50:50 from above Table. # ⌚ 📖 थोड़ा-पढ़ो-आगे-बढ़ो

30.3.7 📊📈📉 Crude Oil: Russia-Ukraine War (2022)



⇒ Oil prices has skyrocketed in February 2022 due to Russia Ukraine were but 2022-March: OPEC producers UAE and Iraq ↑ the oil production → oil prices fell by 17% (UAE तथा इराक़ ने कहा कि हम अपने अपने कच्चे तेल की उत्पादन/आपूर्ति को बढ़ाएंगे इसके बाद कच्चे तेल की कीमतों में गिरावट)

⇒ India's STATE-OWNED OIL marketing companies (OMCs) are set to procure crude oil from Russia at a discount, to the Russia-Ukraine conflict, Russia wants money urgently. (भारतीय सरकारी तेल कंपनियों को रूस से सस्ते में कच्चा तेल मिलेगा।)



30.3.8 📊📈📉 Crude Oil: Theory / GK ?

Cartel	is an association of manufacturers who collude to keep prices high, and keep the competitors away. (More in 📄 Pillar#4Z-Microeconomics)
Sweet Crude Oil	Low Sulphur content. Sour crude = High Sulphur content.
BRENT Index	is an index to measures crude oil price, mainly in North West Europe.
1 barrel	Contains approx. 159 liters of oil

30.3.9 📊💰 BoP: Current → Fall of Crude oil prices in negative figure

- ⇒ USA's crude oil prices are monitored through West Texas Intermediate (WTI) contracts.
- ⇒ Long story cut short: Oil demand ↓ due to Corona lockdown on vehicle/aviation traffic. But, American oil drilling companies can't stop production because it's more expensive to 'restart' the production after shutting it. खुदाई को पूर्ण रूप से स्थगित किया तो वापस शुरू करने में बहुत लागत खर्च आता है
- ⇒ And merchants/intermediaries can't hold stock because their storage capacity is limited.
- ⇒ 2020-April: sellers were (temporarily) paying \$\$ to buyer to take the stock of oil barrels. Hence negative minus \$40 per barrel price. (अमरीकी विक्रेताओं के पास तेल रखने की जगह उपलब्ध नहीं, इसलिए ग्राहक को सामने से पैसा देकर माल उठवा रहे हैं।)
- ⇒ India did not benefit much, since we mostly imported from the middle-east and not the USA.

AB CD ? MCQ. Term 'West Texas Intermediate', sometimes found in news, refers to a grade of _ _
(Prelims-2020) [a] Crude oil [b] Bullion [c] Rare earth elements [d] Uranium

30.3.10 📊💰 Price cap Russian oil (2022)



- 2022-G7 group of nations (Canada, France, Germany, Italy, Japan, United Kingdom, United States) agreed to cap the price of Russian oil to reduce Russia's ability to finance its war on Ukraine. (रूसी कच्चे तेल की महत्तम खरीद कीमत पर सीमाएं लगाईं।)
- India rejected this proposal. 2023: however, India managed to save only \$2 per barrel even after Russia's 'deep discounts', due to cost of transportation and cargo-insurance. (हालांकि वास्तव में बहुत सस्ता मिला नहीं है- परिवहन और बीमा खर्च के चलते.)
- Criticism? Indian refinery have not passed the benefit of the cheap Russian oil to Indian consumers. Petrol-Diesel continues to remain expensive for them because of the high-level of taxes. (2) Trump imposed extra taxes/penalty on Indian exports.



30.7.5 🚢🇷🇺 Shadow Fleet (Russian Oil Exports):

To evade EU sanctions, Russia uses oil tankers and ships registered in Greece, Singapore, etc., for exports. Russians secretly control the ownership of these companies, known as the “shadow fleet.”

30.8 🏆 ⭐ BALANCE OF PAYMENT → CURRENT ACCOUNT → IMPORT OF GOLD

From 2010 onwards, Indian economy was suffering from high level of inflation (8-12%)

⇒ So households earned ‘Negative Real Interest Rate: नकारात्मक वास्तविक ब्याज दर’ on their bank deposits → started investing in gold. (More in 📄 Pillar#1C: inflation Indexed Bonds)

⇒ But, ↑ gold consumption → ↑ trade deficit, current account deficit → Indian rupee gets weaker. Gold transactions also help in the storage of black money and tax evasion. India is the second largest consumer of Gold after China. (सोने में ज्यादा निवेश से रुपया कमजोर, कर चोरी व काला धन) Therefore, RBI and Indian government launched following schemes to reduce gold consumption:

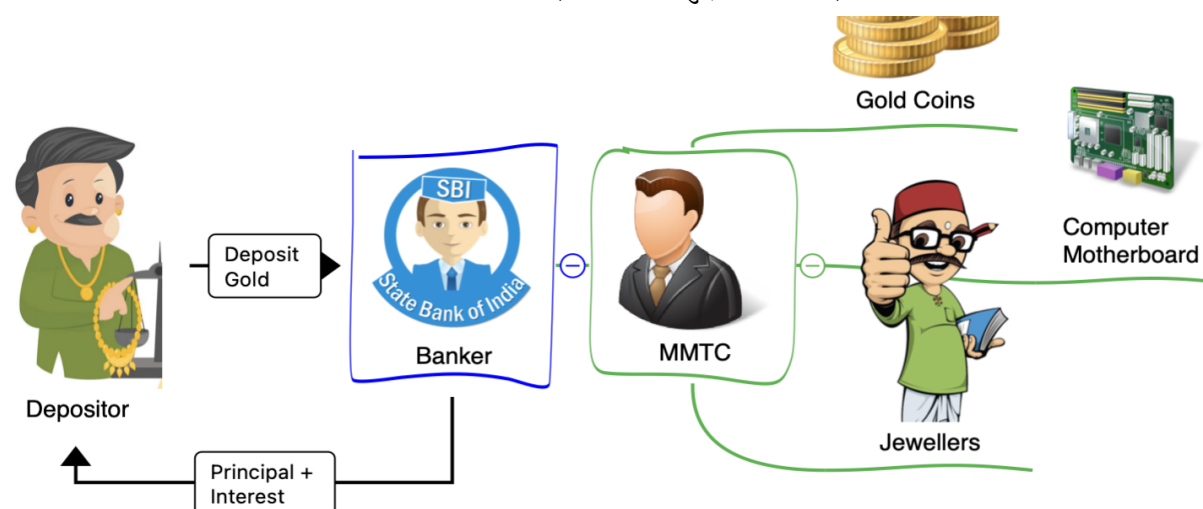
30.8.1 🏆 🐱 RBI’s 80:20 Scheme (2013-14)

- RBI mandated that minimum 20% of the imported gold must be exported back. Until then the Jeweller/ bullion dealers will not get permission to (convert their rupees into dollars / foreign currency) to import next consignment of gold.
- RBI gets this power under Foreign Exchange Management Act (FEMA: विदेशी मुद्रा प्रबंधन अधिनियम). Although, 2014: Scheme was stopped as the gold craze had declined.

30.8.2 🏆 📄 🐱 Sovereign Gold Bond Scheme (2015: स्वर्ण बांड योजना)

(Covered in 📄 Pillar#1C: Share Market)

30.3.11 🏆 📄 🐱 Gold Monetization Scheme (2015: स्वर्ण मुद्राकरण योजना)



- Under this scheme, RBI allows commercial banks accept customers’ idle gold / jewellery for 1 year to 15 years tenure. (2019- RBI also allowed Charitable Institutions and Central Govt to deposit their gold in the commercial banks)
- Min. 30gm to maximum any amount of gold can be deposited.
- Gold goes to → Metals and Minerals Trading Corporation of India →



- Gold sold to jewellers, electronic circuits companies and
- Some of the gold used for Minting “Indian Gold Coin.”
- Upon maturity you can redeem deposit in the form of gold coin/bars or cash equivalent.

30.8.3 🏆👉 Gold monetisation scheme partially discontinued (2025)

Type of Gold Deposit	Duration	Interest & Responsibility
Short-Term Bank Deposit	1–3 years	Paid & Decided by Banker
Medium-Term Government Deposit	5–7 years	2.25% paid by Govt
Long-Term Government Deposit	12–15 years	2.50% paid by Govt

- 2025- March: Finance Ministry announced to discontinue medium & long-term deposits [due to skyrocketing of the gold prices, it will be a loss-making game for the government.]
- Individual banks allowed to continue the short-term scheme, but it is not compulsory for them to continue. depends on their own business decisions.

30.8.4 🏆🍌 Gold investment schemes pe taxes

Tax on income	Sovereign Gold Bonds (SGBs) Ref Pillar#1c	Gold Monetisation Scheme
Income Tax on Interest	Yes, Income Tax applicable.	N/A
Capital gains tax on profit (from the principal)	N/A	N/A

For more PhD watch [youtube.com/watch?v=PpSoL6xFvJE](https://www.youtube.com/watch?v=PpSoL6xFvJE)

AB CD ? MCQ. Main objectives of Gold Monetization Scheme is _ _ _ . (IEnggS-2018)

1. To monetize gold holdings in the country
2. To increase export of gold from the country
3. To reduce India's import bill
4. To meet the targets of reduction in fiscal deficit

Answer Codes: (a) 1 and 4 only (b) 2 and 4 only (c) 2 and 3 only (d) 1 and 3 only

AB CD ? MCQ. What is/are the purpose/purposes of Government's 'Sovereign Gold Bond Scheme' and 'Gold Monetization Scheme'? (Asked in UPSC-Pre-2016)

1. To bring the idle gold lying with Indian households into the economy.
- 2) To promote FDI in gold & jewellery sector. (3) To reduce India's dependence on gold imports.

Answer codes: (a) 1 only (b) 2 and 3 (c) 1 and 3 (d) 1, 2 and 3

30.8.5 🏆🌟🦁 Indian (Sovereign) Gold Coins (2015: भारतीय स्वर्ण सिक्के)

Issued by a Govt company “Metals and Minerals Trading Corporation of India”.

- Available in denominations of 5, 10, 20 grams.
- These gold coins are not fiat money because **not issued under the powers of Coinage act**, they don't bear any markings indicating rupee denominations. Their markings only indicate gold grams. And since they're not 'fiat money' → so, not 'legal tenders'. (More in 📄 Pillar#1a1)
- Benefit? Trusted Purity → Easily resold → Easy liquidity, and Profit (if) gold price ↑ .



30.3.12 🏆👉: Gold price in Corona (कोरोना महामारी के दौरान स्वर्ण कीमतें)

As such, Govt's economic surveys don't talk much about daily ups/downs of gold price movement.

UPSC also never asked anything like that. So, we need not PHD. 🏀

- ⇒ Indian banks ↓ fixed deposit interest rates. People shifting towards gold investment for a better "positive real" interest rate. (Recall Pillar1)
- ⇒ Mutual funds = not good profit after ILFS crisis (Ref: Pill1B2) → some investors prefer gold
- ⇒ Geopolitical tensions like Iran-US, China-US, India-China, Russia – Ukraine have negative impact on sharemarket → some investors prefer gold
- ⇒ 2020 Corona-Crisis: Shares and bonds have become risky due to heavy losses faced by companies. Investors prefer a 'safe assets' = ↑ demand of gold → ↑ prices.
- ⇒ Corona → workers @gold mines / refineries ↓ → gold production ↓ → price ↑
- ⇒ However, vaccination = investors expect business revival so they'll sell gold to invest in shares so again gold prices fallen from ₹56000 per 10gm in (2020-Aug) to ₹45000 (2021-March) = ₹11,000 ↓ ... 🙌 + other 500 angles on Dollar currency exchange rate, Bond yields, some investors shifting to Bitcoin etc=poor cost-benefit. Apply logic/50:50. #🕒 थोड़ा-पढ़ो-आगे-बढ़ो
- ⇒ 2024-25: Gold demand and prices rising due to weaker sharemarket, global uncertainty (Ukraine, Palestine, Trump), etc. 10gm gold = ₹1.18 lakhs in Sep_25.
- ⇒ 2025: Ball by ball news-commentary about how Gold prices keep climbing due to Trump's policies and Global uncertainties & dollar exchange rate. Wait for my Win26 updates.

30.9 🏆👉 Gold related GK Data

Domain	Leading names (source: wikipedia/internet)
Mines	Nevada Gold Mines (U.S.A), Muruntau (Uzbekistan), Grasberg (Indonesia), Olimpiada (Russia), Pueblo Viejo (Dominican Republic)]
Producers	China, Australia, Russia, Canada, United States
Exporters	Switzerland, United Kingdom, USA, South Africa, Australia
Gold as in Central Bank reserve	USA, Germany, Italy, France, Russia

AB CD MCQ. Consider the following statements:[Pre23-SET-A-Q086]

Statement-I: Switzerland is one of the leading exporters of gold in terms of value.

Statement-II: Switzerland has the second largest gold reserves in the world.

Which one of the following is correct in respect of the above statements?

- (a) Both Statement-I and -II are correct and Statement-II is the correct explanation for Statement-I
- (b) Both Statement-I and -II are correct and -II is not the correct explanation for Statement-I
- (c) Statement-I is correct but II is incorrect. (d) Statement-I is incorrect but Statement-II is correct

30.10 💎 LAB GROWN DIAMONDS (LGD: प्रयोगशाला में बनाए गए हीरे)

TYPE	💎🌿 NATURAL (प्राकृतिक /कुदरती)	💎👨🔬 LAB GROWN
Formation	Formed in the Earth's mantle with high temperature and pressure.	Grown in a laboratory using advanced technology



TYPE	💎🌿 NATURAL (प्राकृतिक / कुदरती)	💎👤🔬 LAB GROWN
Production Time	billions of years	Weeks
Chemical & Physical Properties	Pure carbon in a crystalline form, very hard, very high refractive index	Same as natural diamonds
Cost	Very Expensive	Less expensive than Natural
Ethics and environment	Deforestation, child labour in African mines (खनन के लिए वृक्ष छेदन, बाल मजदूरी)	More ethical and sustainable (नैतिक और टिकाऊ)

💰 **Budget-2023:** (1) we'll promote LGD, its seeds, its machinery- via tax cuts and subsidies. (2) we'll give grant to an IIT for LGD research and development.

30.10.1 ☕ BOP → CURRENT → EXPORT → GI TAG



⇒ A Geographical Indication (GI: भौगोलिक संकेतक) is a sign used on products with specific geographical origin and unique qualities due to that origin. E.g. Darjeeling tea from W.Bengal- It was the first to obtain GI tag from India.

⇒ 🏆 **Benefit?** GI tag adds premium-ness to a product, helps fetching higher prices in the international market → better income for farmers and artisans. विदेशी ग्राहक उसे उम्दा किस्म की समझ के और ज्यादा पैसा देने के लिए राजी हो सकता है

GIs are governed under:

- ⇒ WTO's Trade Related Intellectual Property Rights Agreement (**TRIPS**: more in Pill#3B) and
- ⇒ India's Geographical Indication of Goods Act, 1999. Once a product gets GI tag, it's valid for 10 years (and can be renewed further.) GI name cannot be used for products that are manufactured outside of the designated region, else party can be punished under the law
- ⇒ International Nodal? UN's specialized agency World Intellectual Property Organization (WIPO; विश्व बौद्धिक संपदा संगठन), HQ @Geneva, Switzerland
- ⇒ Indian Nodal? Commerce ministry → Controller General of Patents, Designs and Trademarks → Geographical Indications Registry in Chennai.

🎓 **Self Study?** For UPSC interview, your state's GIs from ipindia.nic.in/registered-gls.htm

📖 **MCQ.** 'Kandhamal Haldi', which received GI tag is indigenous to _____. (CAPF-2019)

(a) North Bengal (b) Southern Odisha (c) Sangli, Maharashtra (d) Alleppey, Kerala

30.10.2 📦 GI Logo

Commerce Ministry has created a logo for GI products with tag 'Invaluable Treasures of Incredible India' to make them more attractive to foreign buyers. (विदेशी ग्राहकों में चाहत बढ़ाने के लिए)

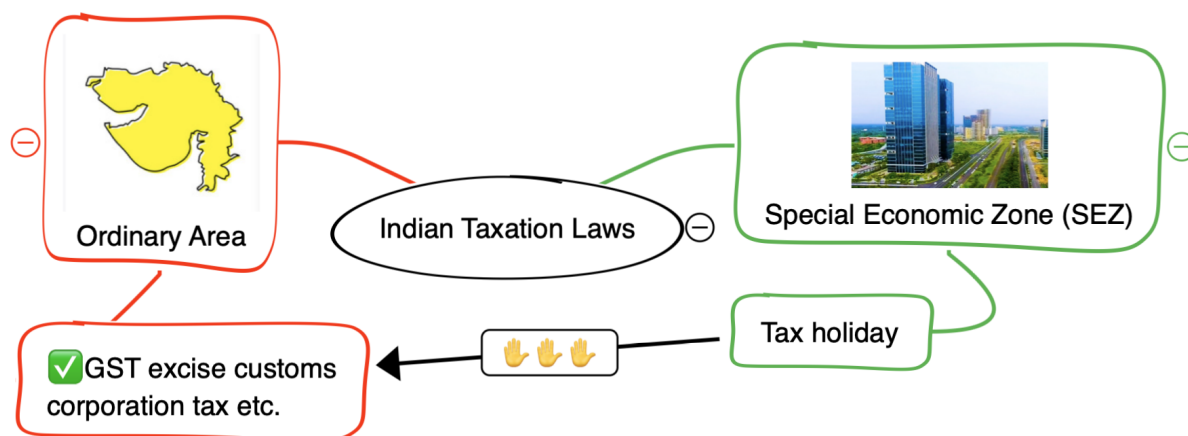
30.3.13 🛒 Unity Malls for selling GI, Handicraft etc. in 💰 Budget-2023

⇒ Union to give loans to States to set up a Unity Mall in their state capital / best tourist city /



financial capital. (एकता / यूनिटी मॉल बनाने के लिए केंद्र और राज्य को कर्जा देगा)

- ⇒ Unity mall be sell State's ODOPs (one district, one product), GI products, handicraft products.
Even other states' products will be sold @Unity mall.



30.4 🍌🚫 BoP → CURRENT → EXPORTS → SEZ

टैक्स भरना पड़ता है कि नहीं?	🍌 Ordinary area	🍌🚫 SEZ area
Mfg pe →	Excise / GST	N/A (नहीं लगता ये टैक्स)
Import Exports pe →	Customs Duty	N/A (नहीं लगता ये टैक्स)
Profit pe →	Corporation Tax/ Income Tax	N/A** (नहीं लगता ये टैक्स)

- ⇒ Special Economic Zones (SEZ: विशेष आर्थिक क्षेत्र) is a specifically demarcated area of India which is deemed as foreign territory for the purpose of Tax laws and Trade laws. (भारत के कर कानून वहां भारत के अन्य प्रदेशों की समान नहीं लागू होते। उन्हें करो में छूट/रियायत दी जाती है)
- ⇒ Thus, exempted from aforementioned taxes (OR)/ subjected to lower rate of taxes of Union and State Govts. This relief is for a specific time-period only, which is called "Tax holiday" (कराधान से छुट्टी, एक सीमित समय के लिए ही होती है, अनंत काल के लिए नहीं).

****SEZ Sunset clause in Income Tax Act** (आयकर कानून में सूर्यास्त प्रावधान)

- ⇒ Income Tax Act (Section 10AA) provides for a tax-holiday for SEZ firms for a period of "X" years only. Corona = Economists suggest this deadline should be extended to attract more foreign companies in India. 🙌 Exact norms & deadline? NOTimp#🕒 थोड़ा-पढ़ो-आगे-बढ़ो

😊😊 Benefits given to SEZ

- ⇒ They get single window clearance for various import / export licenses / permissions
- ⇒ Government will bear the cost of developing the roads, sewage, affluent treatment, weighing-packaging-labelling etc infrastructure within the SEZ.
- ⇒ They are regulated under SEZ policy (2000) and Special Economic Zone Act, 2005.
- ⇒ State Govt forwards the proposal to create SEZ → Union's Commerce Ministry approves.
- ⇒ 1965: Asia's first SEZ was set up in **Kandla**, Gujarat (At that time it was called Export Processing Zone/EPZ). Currently we've 220+ SEZ in India.
- ⇒ 🙌 Benefit? More exports, employment, economic growth. (निर्यात, रोज़गार और आर्थिक वृद्धि के अवसर)



⇒ 🧐 **Challenges?** SEZ entrepreneurs use legal loopholes → Tax avoidance, Workers deprived of EPFO/ESIC/Maternity benefit. When entrepreneurs' Tax holiday is over in one SEZ, they shutdown operation and move to another SEZ with new name/registration. Agricultural and forest lands diverted to build SEZs → future challenges in food security, pollution control and climate change. (कर परिहार, मज़दूरों का शोषण, कृषि ज़मीन कम होना भविष्य में खाद्य सुरक्षा, प्रदूषण के जोखिम)

Solution? 2018: Commerce Ministry had setup **Baba Kalyani** committee to look into SEZ issues.

MCQ. Find Correct (GPSC-2025)

1. The first SEZ policy in India was announced in 2000
2. The objective of SEZ policy was to increase foreign investment in India and to provide an internationally competitive environment for exports.
3. The SEZ Act was passed in 2010

Code: (A) 1 and 2 only (B) 2 and 3 only (C) 1 and 3 only (D) 1, 2 and 3

Hint: SEZ act passed in **2005**, Eliminate accordingly, to arrive at right ans. It is not possible to memorise ke first SEZ policy in India announced in 2000.

30.4.1 🍏🚫👤♂️ SEZ → DESH Hubs

👛🔧 Budget-2022: Development Enterprise and Services Hub (DESH) Bill, 2022 to replace the existing SEZ law of 2005 with following features:

- ⇒ DESH hubs will focus to ↑ mfg & services for both domestic market and export market.
- ⇒ Single window clearance e.g. pollution, fire-safety etc.
- ⇒ Easy norms for voluntary liquidation / exit (REF: Pillar1B2)
- ⇒ Promote research & development, infra facilities, Input tax credit for indirect taxes.

MCQ ? Which Asian country established the first Export Processing Zone (EPZ) in 1965? (UPSC-Geologist-2020) a. China b. India c. South Korea d. Japan

30.11 💎📞👤🔑 **BOP** ➡️ **CURRENT** ➡️ **FOREIGN TRADE POLICY**

Nodal? Director General of Foreign Trade (DGFT) under Ministry of Commerce.

Year	Policy
2018	Agri export policy. ref Pillar4A for more.
2015-20	- Foreign Trade Policy. Now replaced with new policy. India's export in goods and services in 2013-14 was ~\$465 billions. This FTP Policy (विदेश व्यापार नीति) aimed to almost double it to \$900 billion by 2020. 2022: Exports India crossed \$400-billion exports in goods.
2023	new Foreign Trade Policy. given in next section below

30.12 📞👤🔑 **4 PILLARS OF FTP-2023**

- ⇒ Incentive to Remission (e.g. RODTEP, EPCG, Advance Authorisation etc)
- ⇒ Ease of doing business, reduction in transaction cost and e-initiatives
- ⇒ Emerging Areas – E-Commerce Developing Districts as Export Hubs and streamlining SCOMET policy.



⇒ Export promotion through collaboration - Exporters, States, Districts, Indian Embassies abroad

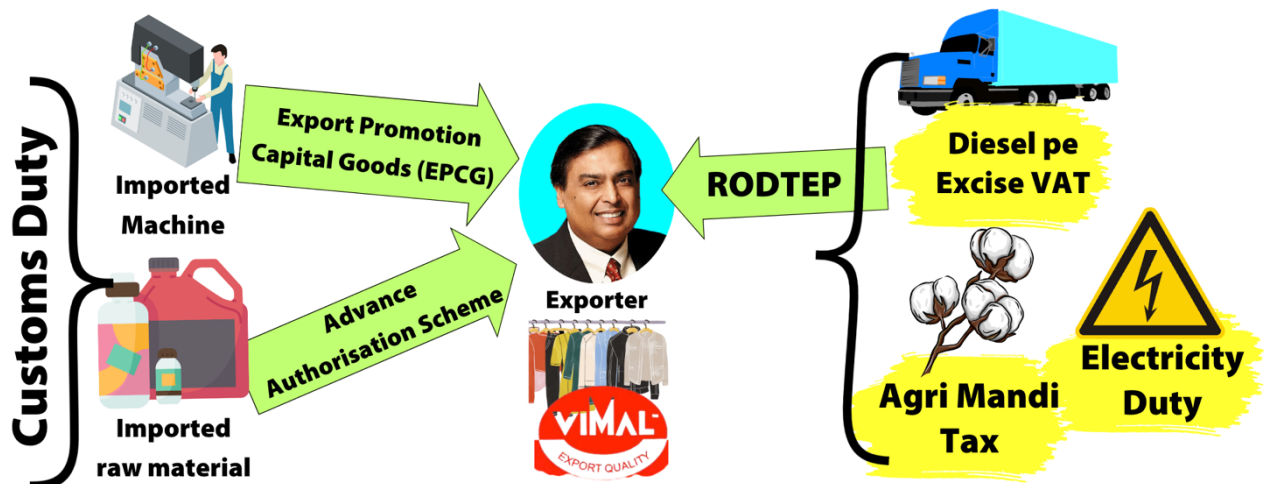


MCQ. Which of the following is NOT one of the pillars of India's 'Foreign Trade Policy-2023'?

(CAPF-2024) (a) Enlarging MFN (Most Favored Nations) (b) Export promotion through collaboration (c) Ease of doing business (d) Emerging areas - streamlining SCOMET policy

30.12.1 **FTP-2023 Pillar#1: Incentive to Remission (टेक्श माफ़ी)**

We are already running the schemes. We will continue them and make them better.



Remission Scheme	Description
RODTEP	Remission of Duties and Taxes on Exported Products (RODTEP) to provide refunds to exporters for various taxes paid on inputs. (more details given in separate section)
EPCG / Duty free import of capital goods (आयातित मशीनरी पर टैक्स माफ़ी)	- Export Promotion capital Goods Scheme: 0% Customs duty import of capital goods (machinery) for export production. - Such machines are also exempted from iGST and GST compensation cess. - FTP2023: Will give some extra benefits to Textile factories in PM MITRA Parks, Dairy, Green Hydrogen, Battery Electric Vehicles (BEV), Vertical Farming equipment, Wastewater Treatment, Rainwater harvesting system.



Remission Scheme	Description
Advance Authorisation Scheme (AAS) (आयातित कच्चे माल पर टैक्स माफ़ी)	0% customs on import of raw materials for manufacturing export items. e.g. oil, catalyst, etc., required for manufacturing export product. DGFT has designed a list of such raw material. This list is called Standard Input-Output Norms (SION) list .

कुल मिलाकर उक्त सभी योजनाओं में निर्यातक को अपने कच्चे माल, मशीनरी इत्यादि पर जो टैक्स भरने होते हैं उसमें छूट दी जाती है

► **FAQ: Isn't RODTEP and AAS overlapping with each other?** Ans. They've internal technical rules ki if imported item is raw material then AAS but if imported item is not raw material but required for production, then RODTEP.

30.12.2 📞 FTP-2023 Pillar#2: Ease of Doing Biz (व्यापार में सुगमता)

One-time Amnesty Scheme on Default on Export Obligations (निर्यात दायित्वों में चूक पर राजक्षमा)



30.12.3 📞 EoD: Bol Bachchan/ चिकनी चुपड़ी बाते

⇒ Our policy is based on principles of 'trust' and 'partnership' with exporters.

⇒ we'll take feedback from Industry to update FTP, from time to time.

⇒ Process Re-Engineering and Automation, paperless, online environment, Reduction in fee structures, eliminating the need for manual interface. (कागज रहित ऑनलाइन प्रणाली, पंजीकरण फ़ीस में कटौती, उद्योगजगत से सुझाव लेके विश्वास व भागीदारी/सहयोग से काम करेंगे।)

► **FAQ: what does about things mean? How does it work??** Ans. NOTIMP. Whatever few fancy key words, you can remember → write them in Mains.

30.12.4 📞 FTP-2023 Pillar3: Emerging Areas (उभरते क्षेत्र)

FTP-2023 will focus on emerging areas such as SCOMET, Dual Use goods, E-Commerce and Merchanting Trade.

30.12.5 📞 SCOMET & Dual use Export

- SCOMET = Special Chemicals, Organisms, Materials, Equipment and Technologies. (विशेष रसायन, जीव, सामग्री, उपकरण और प्रौद्योगिकियाँ)
- Dual-use High end goods e.g. night vision/thermal scanner, drones etc. (दोहरे उपयोग के सामान)
- FTP-2023: we'll promote their export.

30.12.6 📞 E-Commerce Exports

- Integration of Courier and Postal exporters with ICEGATE portal of CBIC. (ICEGATE portal is for import-export related documents/clearance/taxes)



- outreach and training activities for rural artisans, weavers, garment manufacturers, gems-jewellery designers to help them export via E-Commerce platforms (ग्रामीण बुनकरों, कारीगरों, ज़ोहरीओ को ऑनलाइन-व्यापार प्लेटफ़ॉर्म/कम्पनियों के साथ जोड़ेंगे, ताकि वे भी अपना माल देश-दुनिया को बेच सकें।)

30.12.7 E-Governance initiatives

App/Portal	Developer/Function
SWIFT	CBIC → Single Window Interface for Facilitating Trade (SWIFT) for importers and exporters through icegate.gov.in . Within that, e-governance modules like E-Sanchit, Turant etc for approval etc.
India Trade webportal and Niryat Mitra App.	by Commerce Ministry & FIEO (Federation of Indian Export Organisations)

30.12.8 📞🗺️ Merchenting trade @Gift City (वाणिज्यिक व्यापार)



(Definition) when a company buys goods from one country and then sells them to a buyer in another country without bringing the goods into their own country.

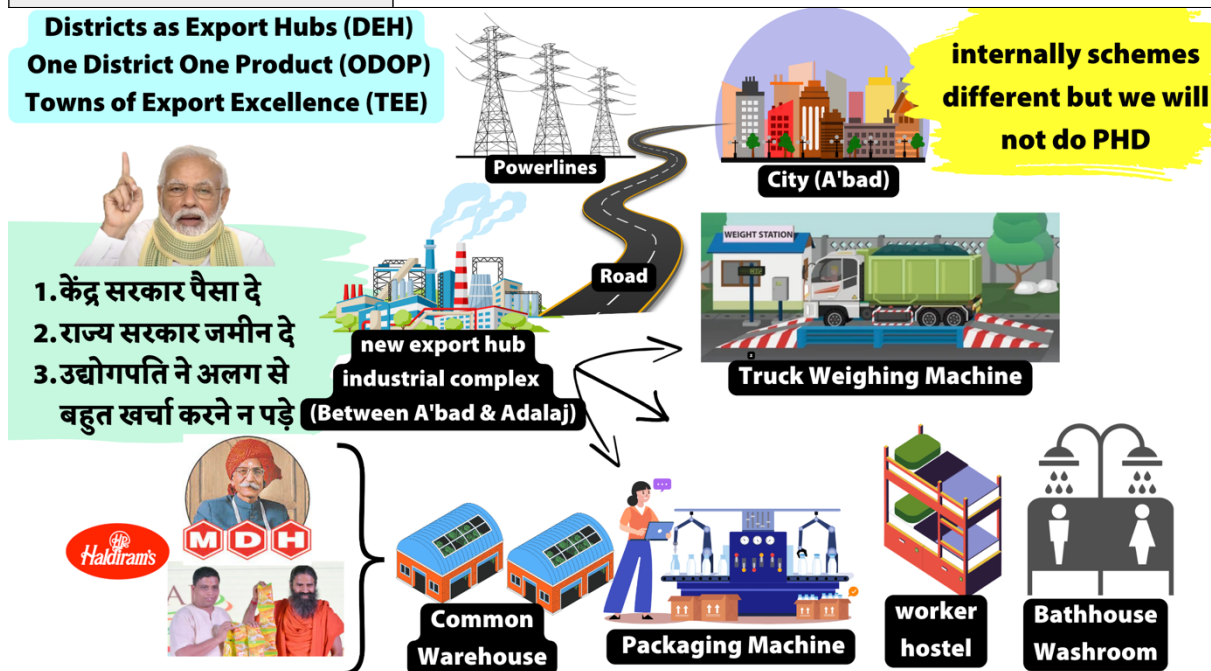
It's essentially acting as a middleman in the international trade of goods. e.g. Companies Dubai, Singapore and Hong Kong. FTP-2023 will promote this in GIFT city IFSC.

30.12.9 📞🗺️ FTP-2023 Pillar4: Collaboration of Stakeholders (हितधारकों का सहयोग)

Stakeholder	How to use them for export promotion?
District (हर ज़िले से एक उत्पाद का निर्यात)	Commerce ministry was running two initiatives namely: ⇒ 1) Districts as Export Hubs (DEH) ⇒ 2) One District One Product Initiative (ODOP) Now, both 1+2 merged together and called ODOP. ⇒ It seeks to select, brand, and promote products/services from each district for exports - District Export Promotion Committees (DEPCs) have been setup in 739 districts to focus on agriculture, GI-products, Toys, handicrafts etc. (ज़िला निर्यात प्रोत्साहन समितियाँ)
Town (शहरों में निर्यात के लिए बुनियादी अवसंरचना का निर्माण)	- Four new towns, namely Faridabad, Mirzapur, Moradabad, and Varanasi, designated as Towns of Export Excellence (TEE) , in addition to the existing 39 towns. - Govt will give them funding for export infrastructure e.g. warehouses, transportation, packaging facilities etc.
Indian mission/embassy	we'll give them funding under Market Access Initiative (MAI) to



Stakeholder	How to use them for export promotion?
abroad (विदेशी ग्राहकों की पसंद/नापसंद का सर्वेक्षण दूतावासों द्वारा करवायेंगे)	do research/survey of Country specific customer likes/dislikes/product preferences.
🧐👤 Exporters (पुराने/अनुभवी निर्यातक नौसिखियों को तालीम देंगे)	- Exporters will be given Star rating/Status based on export performance. 2Star/higher exporters will give training/mentoring to new/fresh exporters. - Niryat Bandhu Scheme (2013): Govt mentors the new and potential exporters and mentor them through training, counselling, orientation programmes with help of IIFT & other orgs.



MCQ. Find wrong about Districts as Export Hubs (DEH) (CDS-2025-ii)

- (a) DEH was launched in August 2019.
 (b) DEH is to boost exports of only selected districts of the country. (WRONG: all districts.)
 (c) India's Foreign Trade Policy 2023 reiterated the role of DEH.
 (d) DEH aims to promote exports by financial inclusion, logistical and infrastructural support.

30.12.10 Trade policy: stakeholder consultation must (2025)

Directorate General of Foreign Trade (DGFT) notified changes in the Foreign Trade Policy, 2023

Before	After 2025 Reform
not compulsory. विदेश व्यापार नीति में अपनी मनमानी से सरकार कुछ भी लागू कर सकती थी।	necessary for govt to do consultation with stakeholders e.g. importers/exporters/industry experts before making changes in Trade Policy. (हित-धारको से विमर्श/उनकी राय लेना अनिवार्य)

if Govt does not accept the feedback, then Govt will have to publicly announce the reasons for it.

Benefit?: Transparency, Accountability, & Ease of Doing Business. (जवाबदेही, पारदर्शिता)



30.12.11 📞📌 Conclusion (Summarise - yes FTP-2023 greatly help)

Thus, with tax relief, ease of doing business, collaboration with stakeholders and focus on the new emerging areas such as e-commerce and SCOMAT - the FTP-2023 will greatly help in export promotion, job creation and GDP improvement for India during the AMRIT KAAL. (इस प्रकार, कर राहत, व्यापार करने में आसानी, हितधारकों के साथ सहयोग और ई-कॉमर्स और स्कॉमेट जैसे नए उभरते क्षेत्रों पर ज़ोर देकर एफ़टीपी-२०२३ नीति भारत के अमृत काल में रोज़गार सृजन, निर्यात वृद्धि व आर्थिक वृद्धि में काफ़ी मदद करेगी।)

30.13 🚢📈 EXPORT IMPROVEMENT -MISC. SCHEMES

30.13.1 🚢 Export Promotion Mission in 📅 Budget-2025

- Boss? jointly by the Ministries of Commerce, MSME, and Finance. Focus on
- (1) faster loan approval
- (2) Factoring for MSME (what is factoring- ref 1C1)
- (3) Help MSMEs to tackle non-tariff measures abroad. e.g. when EU banning Indian tomato ketchup for insects/pesticides. (Ref: Pillar#3C:WTO for more)

30.13.2 🚢 BharatTradeNet (BTN) Portal in 📅 Budget-2025:

- Boss? Not yet announced, but I would guess Commerce Ministry.
- Portal for (1) import export related documents submission & (2) financing (loan) facility.
- BTN will also connect with Unified Logistics Interface Platform (ULIP, portal by Commerce Ministry for transport, cargo related facilities):

30.13.3 🚢 Trade Connect e-Platform by DGFT

- Boss? Directorate General of Foreign Trade (DGFT)
- Objective? Help exporters to reach newer nations/markets. e.g selling parle-G to Tanzania.

30.4.2 📌 Interest Equalisation Scheme for MSME Exporters (2015) – ref Pill-1D3

(Ref: Pillar#1D3)

30.4.3 🍏💰 Tax Credit for Exporters: MEIS/SEIS

Boss? Commerce Ministry **WAS** running two tax-incentive schemes to boost exports

⇒ Services Exports from India Scheme (SEIS: भारत से सेवाएं निर्यात योजना).

⇒ Merchandise Exports from India Scheme (MEIS: भारत से व्यापारिक माल निर्यात योजना)

These schemes provide tax credit to exporters, which they can use for paying Union's Customs Duty.

AFTER RODTEP is notified fully, the MEIS scheme will be STOPPED.

30.4.4 🍏💰 Tax Credit for Exporters: RoDTEP?

Remission of Duties and Taxes on Exported Products (RoDTEP: निर्यात उत्पादों पर शुल्क और कर की छूट).

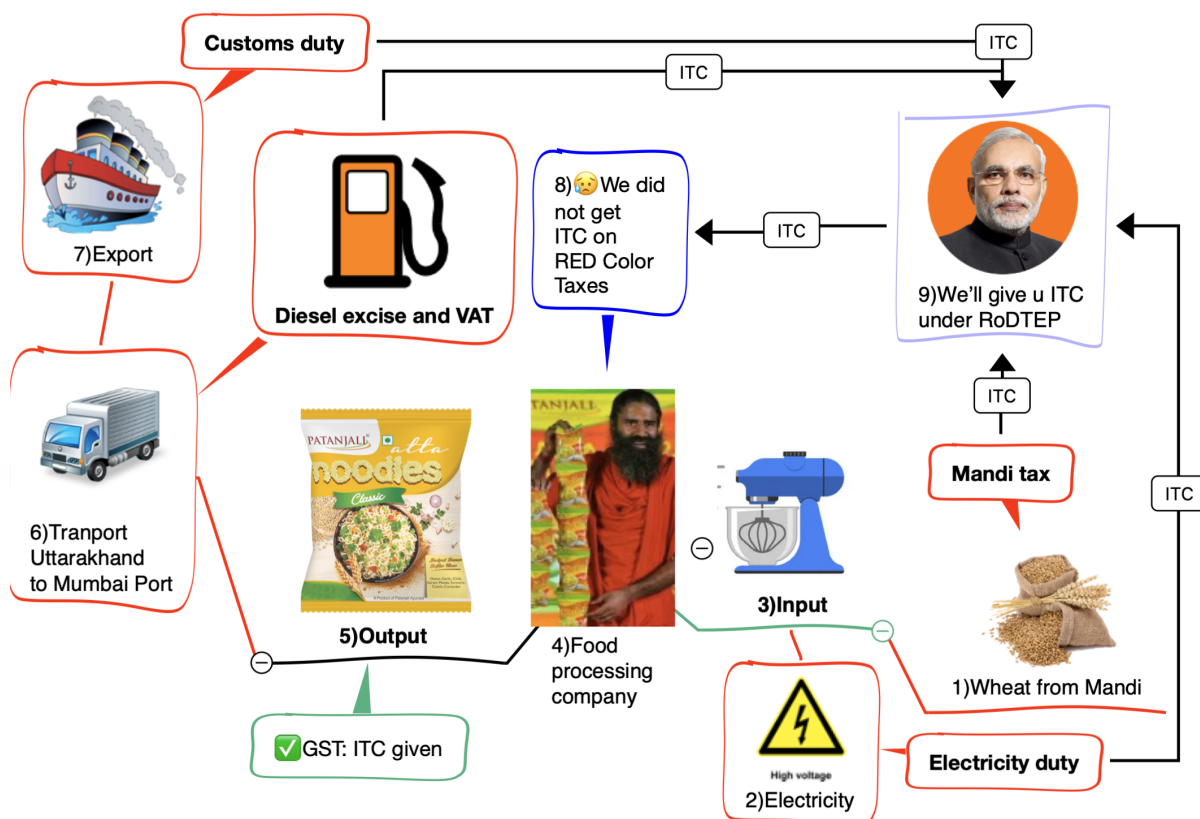
Boss? Commerce Ministry

	MEIS	RoDTEP
Exporter gets Input Tax Credit (ITC) for	Customs Duty	ITC given for following taxes Exporter paid: 1. Customs Duty 2. Transport fuel (petrol diesel) Excise and VAT 3. Agriculture raw material pe State Mandi tax (it's not a 'tax' but rather a FEES charged by APMC Mandi.) 4. Stamp duty on Commodity trade (Ref:2A) 5. Electricity pe electricity duty (Ref: 2A)



	MEIS	RoDTEP
WTO allowed it?	No, so WTO ordered to stop it.	Yes (or atleast PM Modi claims so.) RoDTEP will replace MEIS scheme.

RODTEP was valid from 2021 to Feb'25. But now the scheme is extended/continued further.



30.4.5 🚢 Port Logistics: Authorised Economic Operator (AEO)

- ⇒ अधिकृत आर्थिक संचालक: An importer/exporter/cargo company can apply to the Central Board of Indirect Taxes and Customs (CBIC) to get this 'status'.
- ⇒ Subject to conditions like 1) minimum 3 years experience 2) never filed bankruptcy 3) never caught in fraud / smuggling etc.
- ⇒ 🧐 **Benefits?** Faster clearance times, fewer physical examinations on cargo etc.
- ⇒ At International level, World Customs Organization (WCO, HQ: Brussels, Belgium)'s "SAFE Framework" guides this program.

30.4.6 ✈️ Krishi Udan Scheme v 2.0 (Civil Aviation Ministry, 2020)

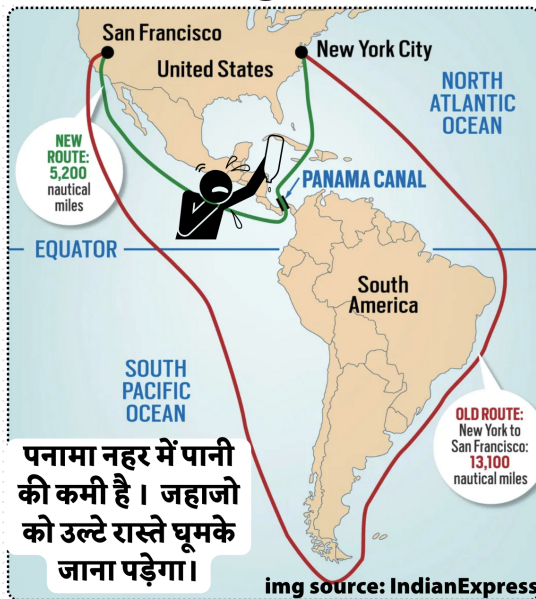
To help farmers to transport/export perishable food products within India and Abroad
2021: version 2.0 launched to focus on hilly areas, North- Eastern states, and tribal areas e.g.

King Chillies, Burmese Grapes & Assamese Lemon	Gauwahati
Jackfruit	Tripura
Litchi	Darbhangha

30.4.7 📱🔑👤 "Assemble in India" | Production Linked Incentive Scheme (PLI)

Ref in 📄 Pillar#4B: Sectors of Economy → Mfg

30.14 🚢🌊 EXPORT PROBLEM → CANALS IN NEGATIVE NEWS



30.14.1 Export Problem → Red Sea Attacks by Houthi Rebels (2023-Dec)

- 1869 : Suez Canal constructed in 1869 in Egypt between Port Said in the north and Port Suez in the south. It links the Mediterranean Sea and the Red Sea.
- 2023-Dec Yemen-based Houthi rebels started attacking ships in Red Sea to protest Israel's military offensive in Gaza.
- Consequently, Indian ships had to travel via Africa to reach Europe. (Instead of Red Sea/ Suez Canal Route).
- 2025: Trump sends bombers to Iran, leading to a USA-Houthi ceasefire. The Suez Canal offers a 15% discount to attract cargo ships back, as they were avoiding Suez due to Houthi rebel attacks.

30.14.2 🚢🌊 Export Problem → Panama Canal Drying (2023)

- 1914: Panama Canal connects the Pacific and Atlantic Oceans.
- 2023: Shipping via the Panama Canal has dropped by over 50% due to drought conditions/ shortage of water. Consequently, ships may have to travel via South America.
- Self-Study-IR: Trump wants to take over Panama Canal

30.14.3 🚢 Sea Routes and Trade Disruptions (2023) 📖 ES25:

Sea Route	Trade Disruption
Red Sea	Attacks by Houthi militia. 40% of global trade affected, leading to higher shipping costs and longer delivery times., esp. agriculture / Basmati-rice etc.
Strait of Hormuz	Attacks by Irani Navy. Affected 21% of global petroleum trade.
Panama Canal	Water scarcity by El Niño affecting 5% of global maritime trade.

30.15 🌍🌪️ GLOBAL UNCERTAINTY HARMING GLOBAL TRADE- 📖 ES25: (वैश्विक अनिश्चितता)

- 2024: unsettled geopolitical conflicts e.g. Ukraine, Palestine.



- The Great Election year of 2024: over 50% of world's population elected their new governments → Policy uncertainty increased. (e.g Trump refusing to continue many of the Joe-Biden policies, imposing reciprocal tariffs- Ref: Pillar#3C for more.)

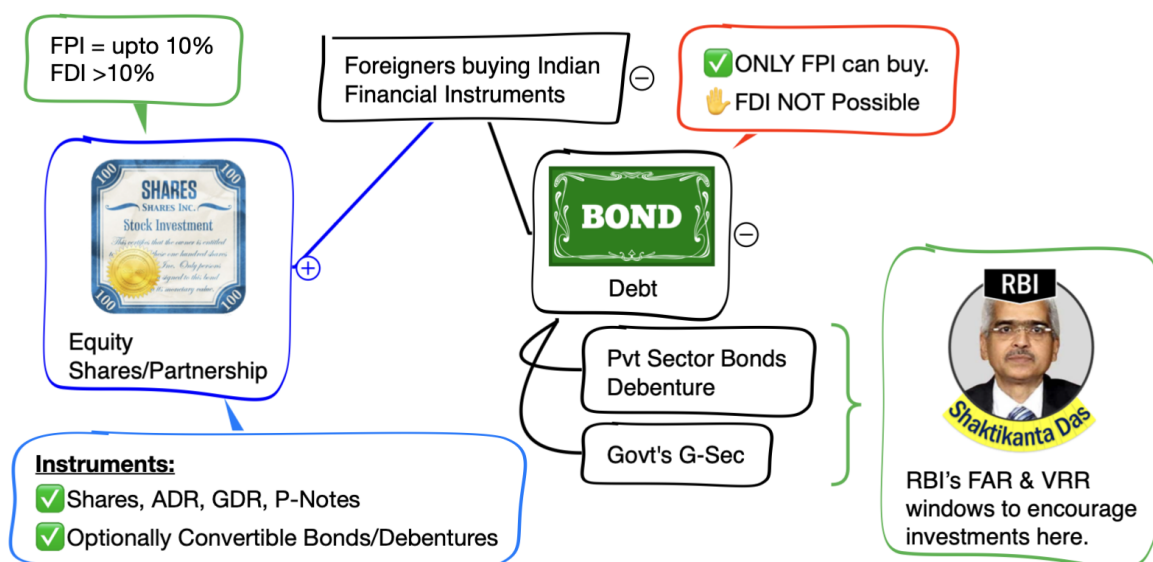
30.15.1 🦋🧐 Global Policy uncertainty → consequences of (अंजाम/परिणाम)

- ↑↑ risk → investors want more return (e.g. interest on bonds) → cost of capital increases
- Policy uncertainty increases the chances of borrower defaults (NPA), reduced GDP. Reduced demand → reduced prices → it can cause unemployment – recall Philips Curve/Pill#1A2.

30.15.2 🦋🧐 Global Policy uncertainty → measurement by RBI's India-GUI Index

- International experts have designed Geopolitical Risk (GPR) index, Trade Policy Uncertainty (TPU) index etc.
- RBI has developed Google Trends-based uncertainty index (India-GUI)
- When faced with uncertainty, investors/businessmen to 'search' for more information on google.
- RBI analyses the google search volumes for keywords about fiscal, monetary and trade policy in India → prepares the index.

30.16 🏠🌟🇮🇳👏 BOP → CAPITAL ACCOUNT → INVESTMENT → FDI / FPI



30.16.1 🏠🧐 Foreign Portfolio Investors (FPI: विदेशी पोर्टफोलियो निवेशक)

HSBC



J.P.Morgan

Morgan Stanley

⇒ It is a foreign entity registered @SEBI, and who buys upto 10% in equity / shares of an Indian Company. [For Corporate Bonds and G-Sec these % are different.]

⇒ Originally, these were called Foreign Institutional Investor (FII: विदेशी संस्थागत निवेशक) and Qualified Foreign Investors (QFIs), but in 2013 SEBI merged them all into a single category- FPI, based on the recommendations of K.M. Chandrasekhar committee.



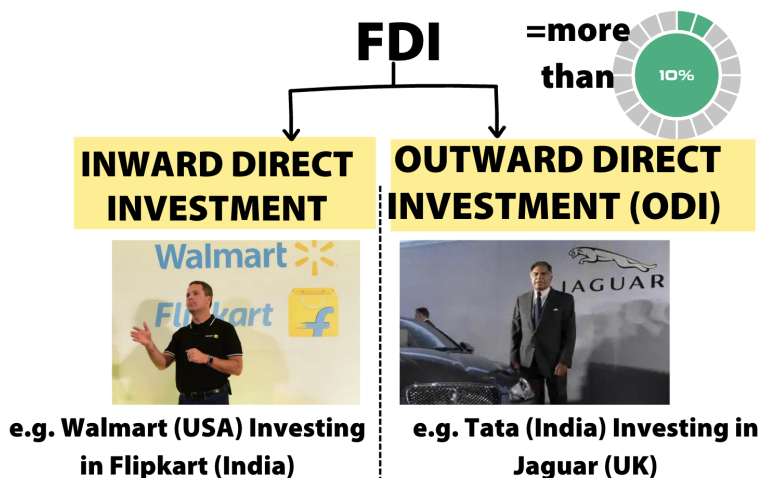
- ⇒ FPI's primary objective is make money from buying and selling of shares through the capital market / share market. They even help the SEBI-non-registered foreign investors by issuing them Participatory notes (P-Notes) [Ref: 1C: SEBI handout].
- ⇒ FPIs are not involved in the actual operations / production / management / business policy making of a company (unlike Walmart is for Flipkart). कंपनी का स्वयं संचालन में रुचि नहीं
- ⇒ If FPI investor is hopeful to get better returns in the other countries' share/bond market, he may quickly sell his Indian securities and run away. The flight of such money is called 'hot money (चलायमान मुद्रा)', It results into weakening of Indian Rupee and falling of Sensex.

30.16.2 FPI to FDI conversion - new rules (2024)

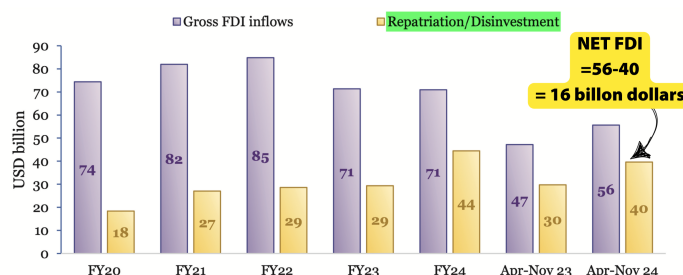
Before	After Reform
if foreigner bought 22% shares of Indian company, then (A) entire 22% is FDI. OR (B) if he wanted to remain only FPI (=10%), then he will have to sell off extra 12% to other investors.	- He can get it (22%) converted/classified as 10% FPI + 12% FDI^{^^}. - So same foreigner can continue to be both FPI and FDI in same company.

- ^{^^} Provided he has approval from the government in specific sectors.
- Benefit?** More flexibility to the foreign investor in entry & exit from company, Ease of doing business in how many technical rules he has to comply for SEBI & RBI etc. थोड़ा-पढ़ो-आगे-बढ़ो.

30.16.3 FDI: Inward vs Outward Direct Investment (ODI)



30.16.4 Gross vs NET FDI inflow (शुद्ध एफ़डीआई आमद, सकल एफ़डीआई आमद)



Gross FDI inflow = Total FDI incoming to India.

Net FDI inflows = Gross FDI Inflows - MINUS (Repatriation also called Disinvestment)

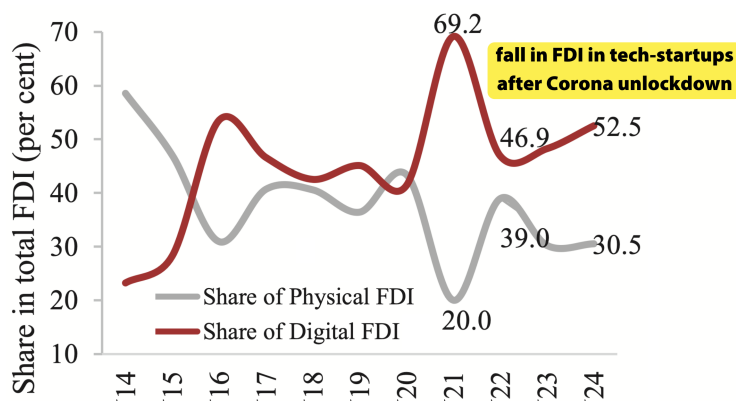


- Here, Repatriation or Disinvestment = when non-resident exits from an Indian company.
- e.g. Jack Ma (China) sold his 28% ownership of Indian co. 'Bigbasket' to Tata (India).
- 🙅 Don't confuse/mix up this 'Disinvestment' with Sarkaari Disinvestment in pillar2D.
- ⬆️ ES24: NET FDI inflow declined bcoz foreigners repatriation ⬆️ 🇺🇸 bcoz of (1) they want to exit with profit (2) USA Fed Tapering (Ref: Pillar#3C)

30.16.5 📊 ES25: FDI performance

- Year 2000–2024: FDI inflows into India have surpassed the USD 1 trillion - proving India as a safe and significant global investment destination.
- 2024: FDI facing following challenges:
- (1) Economic Policy uncertainty (e.g. Trump), (2) geopolitical tensions (Ukraine, Palestine),
- (3) rising borrowing costs e.g. if foreigner wants to borrow money from USA or Japan, and then invested in India's FDI → such loans have become more expensive. Ref Fed Tapering (1A2) and Yen Carry Trade (1C).
- (4) repatriation (explained in previous section)

30.16.6 📡👨🏻💻🙅 Physical FDI vs Digital FDI trend as per 📊 ES24: (भौतिक, डिजिटल एफडीआई)



Physical FDI	Digital FDI
Automobiles, Pharma, Construction etc.	Computer Services, telecom, Broadcasting, Consultancy etc.

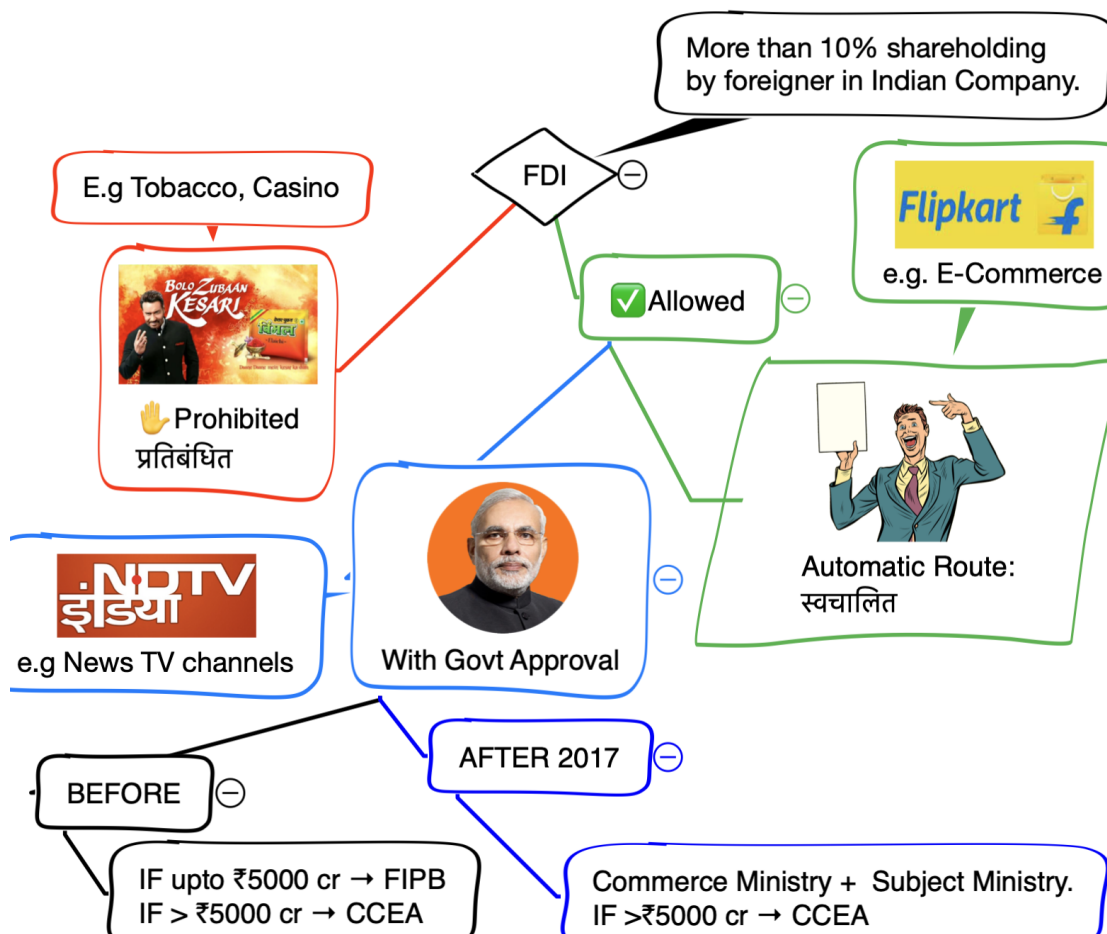
30.16.7 📡👨🏻💻🙅 Foreign Direct Investment (FDI: प्रत्यक्ष विदेशी निवेश)

- ⇒ FDI is the (more than 10% equity / share) investment made by a foreign entity into an Indian company, with the objective to get involved in the management / production of that Indian company. भारतीय कंपनी के संचालन/ उत्पादन में शामिल होने के उद्देश्य से 10% या उससे ज्यादा शेयर खरीदना
- ⇒ (e.g. 2018: Walmart-USA bought 77% stakes in Flipkart @\$16 billion.)
- ⇒ 🙅 Foreign Investment is prohibited in atomic energy, railway operations (except Metro & infra dev.); Tobacco Products, Real Estate Business, Farm Houses, Chit Funds, Nidhi Companies, Betting Gambling Casino & Lottery.
- ⇒ For the remaining sectors, Foreign Investment is permitted either through:

👨🏻💻 **Automatic Route:** स्वचालित मार्ग i.e. Foreign entity doesn't require Indian Govt's approval. OR



🧐 **Government Route:** सरकारी मार्ग i.e. prior to investment, they've to get approval from the Govt of India's respective Administrative Ministry/ Department (+ Commerce Ministry).



30.4.8 🇮🇳🇮🇳🇮🇳🇮🇳 FDI in India → Source Nation and sector-wise as per 📖 ES23

Sector wise	Nation Wise
1. 🎮 Computer Software & Hardware	1. Singapore
2. Services Sector	2. Mauritius
3. Trading	3. UAE (4) USA

Where is the latest data of 2024-25? Ans. Financial Year ends at 31/3/25 → then RBI may release in May/June'25. 📖 ES25: gave 9 month Data from April-Dec'24= not very MCQ worthy.

30.16.8 🇮🇳🇮🇳🇮🇳🇮🇳 **FOREIGN INVESTMENT → 100% AUTOMATIC PERMITTED IN**

- ✓ Agriculture, Animal Husbandry, Plantation Sector, Food Processing companies
- ✓ Asset Reconstruction Companies (ARC), Credit Information Companies, Core Investment Company, White Label ATM Operation and Other Financial Services
- ✓ Pharma & Biotechnology (Greenfield), Healthcare (Greenfield), Medical Devices
- ✓ Broadcast of non-NEWS TV Channels, Printing of scientific and technical magazines; Wholesale Trading, Single Brand Retail, E-Commerce (market-place)
- ✓ IT and Business process management (BPM); Township Construction, Housing, Infrastructure; Gems & Jewellery, Duty Free Shops, Tourism & Hospitality



- ✓ Leather, Textiles & Garments, Manufacturing, Capital Goods, Industrial Parks
- ✓ Mining and Exploration of metal and non-metal,
- ✓ Petroleum & Natural Gas, Chemicals, Coal & Lignite, Thermal & Renewable Energy
- ✓ Civil Aviation (**Selected services), Airports (Greenfield & Brownfield)
- ✓ Ports and Shipping, Railway Infrastructure, Roads & Highways
- ✓ 📡 Direct to Home (DTH) TV/Cable services e.g. TataSky, DishTV
- ✓ 2019: Insurance intermediaries (e.g. agents, brokers, surveyors, 3rd party admin etc)
- ✓ 2019: Coal mining, coal sale & associated activities; Contract manufacturing.
- ✓ 2021: 🇮🇳 Public Sector Oil Gas Refineries e.g. Bharat Petroleum Corporation Ltd (BPCL). This is done to facilitate disinvestment/privatization via foreign companies participation. (Ref Pillar:2D)
- ✓ 2022: State owned/public sector Life insurance corporation i.e. LIC: 20% FDI allowed.

30.16.9 🇮🇳🇮🇳🇮🇳🇮🇳 FOREIGN INVESTMENT → LIMITS IN OTHERS SECTORS

Sector → Foreign Investment limits कुछ किस्सों में स्वचालित मार्ग से. कुछ किस्सों में केंद्र सरकार की अनुमति लेनी जरूरी	Automatic upto?	🧐👉 With Govt approval?
Banking - Public Sector	N/A	20%
State owned/public sector Life insurance corporation i.e. LIC	20%	Not Required.
⇒ Printing / Publishing newspaper, current affairs magazines; ⇒ News/Current Affairs through Digital Media	N/A	26%
Broadcasting of News TV-channels, FM-Radio	N/A	49%
Multi Brand Retail Trading	N/A	51%
REITs / InvITs Infrastructure Companies	N/A	49%
Banking (Private Sector)	Upto 49%	>49 upto 74%
Telecom Services, Private Security Agencies, Air Transport Services	Upto 49%	ABOVE 49%
Insurance Company. Note: this limit is not applicable on LIC. [FDI: Pension sector % = Insurance sector %]	Upto 100% (ref pill1D1)	Not Required.
1) Defense (2020: FDI in Defense limit ↑ from 49% to 74%) 2) Brownfield projects in Pharma, Biotech, Healthcare	Upto 74%	ABOVE 74%
Space Sector / Satellite operation	refer to next section	

For future updates, refer to <https://www.investindia.gov.in/foreign-direct-investment>

30.16.10 FDI in Space Sector (2024-Feb reforms)

Previously, Space/Satellite FDI permitted ONLY after Govt approval. But now liberalized:

Space Sector → Foreign Investment limits	Automatic upto?	🧐👉 With Govt approval?
Space-ports, launch vehicles	upto 49%	beyond 49%
Satellites-Manufacturing & Operation, Satellite Data Products and Ground Segment & User Segment.	upto 74%	beyond 74%



Space Sector → Foreign Investment limits	Automatic upto?	🙋🏻 With Govt approval?
Manufacturing components/systems for satellites, ground segment and user segment.	upto 100%	no need

30.16.11 📦📦🙋🏻🙋🏻: 🛒🛒 INDIA'S FDI RULES FOR E-COMMERCE



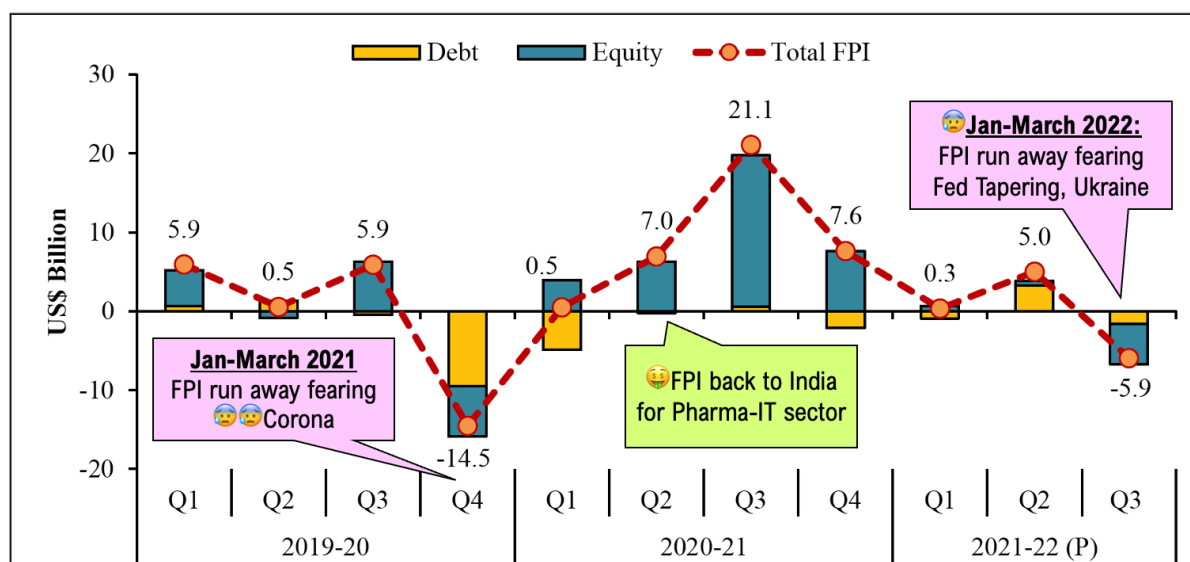
Definition? E-commerce means buying and selling of goods and services over digital & electronic network. Two subtypes

1. **Inventory based** (इन्वेंटरी आधारित) model of e-commerce: Company sells the inventory of goods and services, which is owned by them to consumers directly. E.g. primeabgb.com (A computer hardware site). FDI is not permitted here.
2. **Marketplace based** (बाजार आधारित) model of e-commerce: Company merely provides a webportal/app to act as a facilitator between buyer and sellers. E.g. Amazon, Flipkart. 100% FDI allowed here.

FAQ: What are E-Commerce Rules by Govt ? Ans. More in 📄 Pillar#4B: Services Sector

30.4.9 📦📦🙋🏻🙋🏻: 🔥🔥 HOTMONEY EFFECT BY FPIs

Figure 16: Foreign Portfolio Investment remained volatile



2018-19 (Bn. USD)	(+) Inflow (Credit)	(-) Outflow (Debit)	NET inflow
FPI	+ 256.9	- 257.5	-0.6 (=outflow)
FDI	+ 64	- 34	+ 30
Foreign investment in India: भारत में विदेशी निवेश →			+ 30 (approx.)

⇒ From the above table you can see large amount of money comes via Foreign Portfolio Investors



but because it is speculative and volatile in nature (HOT MONEY), so it does not stay for long in Indian market so in “NET” terms its lower than FDI. (विदेशी पोर्टफोलियो निवेशक सट्टेबाज उद्देश्य से स्थिर रूप से पैसा भारतीय बाजार में निवेश करते हैं और निकाल कर ले जाते हैं इसलिए ऐसा पैसा लंबी अवधि के लिए भारत में टिकता नहीं उसे हम हॉट मनी/ गरम मुद्रा कहते हैं)

- ⇒ 2018-19: there was net ‘outflow’ of FPIs (i.e. more FPI money left India than the amount of FPI money that came into India) which shows the Hot Money effect.
- ⇒ 2020 onwards: FPI situation given in chart. ES23 also repeated same problem
- ⇒ 📊 ES25: FPI mostly running away. (Ref Pillar1C SENSEX Chart for reasons/factors.)

30.17 📁📂👤 INVESTMENT: MISC TERMS & REPORTS

30.17.1 🇮🇳✈️ Golden Visa / Golden Card (स्वर्ण वीज़ा)

- ⇒ It is a special type of visa given for a investor/ property-buyer/celebrity / sportsman / scientist / very bright student. System prevalent in Spain, UAE (Sanjay Dutt-2021) etc.
- ⇒ 😊 Benefit? Helps the nation to attract investors and talented persons.
- ⇒ Trump also coming with similar scheme. For more phd watch [youtube.com/watch?v=JH_sC1JXMuc](https://www.youtube.com/watch?v=JH_sC1JXMuc)

30.17.2 🇺🇸✈️ USA H1B visa \$1 lakh dollar fees & China’s K-Visa (2025-Sept)

- USA H-1B is a temporary (nonimmigrant) visa category that allows companies to get educated foreign professionals to work in “specialty occupations” such as mathematics, engineering, technology, MBBS etc.
- 2025-Sept: Trump imposed \$100,000 fee for new H-1B visa applications. Employer (company/maalik) needs to pay this to USA government.
- Parallel, China introduced a new “K-visa” to attract foreign workers in Sci-Tech fields.

30.17.3 🇮🇳 UNCTAD's World Investment Report (विश्व निवेश रिपोर्ट)

- ⇒ United Nations Conference on Trade and Development (UNCTAD, HQ- Geneva Switzerland, 1964) → report: World Investment Report
- ⇒ Global FDI flows will ↓ by 40% in 2020 because of the Corona.
- ⇒ India was the 9th largest recipient of FDI in 2019-20 in the world.
- ⇒ 2021: it published a report but nothing noteworthy from exam point of view.

AB CD ? MCQ. Both Foreign Direct Investment (FDI) and Foreign Institutional Investor (FII) are related to investment in a country. Which one of the following statements best represents an important difference between the two?(Asked in UPSC-Pre-2011)

- A. FII helps bring better management skills and technology, while FDI only brings in capital.
- B. FII helps in increasing capital availability in general, while FDI only targets specific sectors.
- C. FDI flows only into the secondary market, while FII targets primary market.
- D. FII is considered to be more stable than FDI

AB CD ? MCQ. Find correct major characteristics with reference to FDI in India (Prelims-2020)

- [a] It is the investment through capital instruments essentially in a listed company.
- [b] It is largely non-debt creating capital flow.
- [c] It is the investment which involves debt-servicing.
- [d] It is the investment made by foreign institutional investors in the Government securities.

AB CD ? Which of the following can be included in Foreign Direct Investments in India [Pre-2021]



- 1) Foreign Currency Convertible Bonds 2) Foreign Institutional investment with certain conditions
3) Global depository receipts (GDR) 4) Non-resident external deposits

Codes: a) 1, 2 and 3 b) 3 Only c) 2 and 4 d) 1 and 4

MCQ. An Indian buys shares in a British car company. This will be reflected in: (CAPF-2023)

- (a) Balance of Trade, but not in Balance of Payments. (b) Balance of Payments, but not in Balance of Trade.
(c) both Balance of Payments and Balance of Trade. (d) neither Balance of Payments nor Balance of Trade.

30.5 YEARBOOK: MINISTRY OF COMMERCE AND INDUSTRY (वाणिज्य और उद्योग मंत्रालय):

This ministry looks after Internal and External Trade, WTO, Dumping, SEZ, FDI & Intellectual property rights (IPR) related issues.

<List not exhaustive- मंत्रालय में और भी संस्थाएं हो सकती हैं लेकिन सभी की सूची मैंने नहीं दी >

Depts.	1. Department of Commerce (वाणिज्य विभाग) 2. Department for Promotion of Industry and Internal Trade (DPIIT उद्योग संवर्द्धन और आंतरिक व्यापार विभाग)
Attached offices संलग्न कार्यालय	- Directorate General of Foreign Trade (DGFT: विदेश व्यापार महानिदेशालय) for promotion of foreign trade. → he issues Importer Exporter Code (IEC) unique-id number to bizmen engaged in foreign trade. HQ- Delhi. Implement WTO agreements in India, decides 'rules of origin', 'anti-dumping issues'. (Ref Pillar#3C for more.) - Directorate General of Trade Remedies (DGTR) to impose anti-dumping duty on foreign products - as per the policy/rules made by DGFT. - Directorate General of Commercial Intelligence and Statistics - Economic Adviser to DPIIT- responsible for publishing Wholesale Price Index (WPI)- more in Pillar4C: Inflation. थोक मंहगाई सूचकांक
Companies	⇒ Export Credit Guarantee Corporation of India (ECGC: NIRVIC scheme-walle) ⇒ MMTC Ltd. (Gold-coin-walle). Although 2020-Jan approved for Strategic disinvestment [भविष्य में इसका निजीकरण हो जाना है] ⇒ National Investment Promotion and Facilitation Agency of India. Commonly known as “Invest India”: A ‘not for profit’ company by commerce ministry + FICCI + NASSCOM + other in 2009. Note: FICCI and NASSCOM are not-for-profit associations made by Bizmen, mainly to lobby/highlight demands to Govt. The current shareholding pattern of Invest India is 51 % of Industry Associations (i.e. 17% each of FICCI, CII & NASSCOM) and the remaining 49% of Central and 19 State Governments.
Statutory bodies स्वायत्त निकाय/संस्थाएं	- Agricultural and Processed Food Products Export Development Authority (APEDA: New Delhi). (1) APEDA helping Kashmir valley start-ups to export high-value Kashmir Saffron (GI-tag) to Middle East, EU, and North America. (2) Basmati-GI protection (3) Monitor Sugar imports. - Marine Products Exports Development Authority (MPEDA). HQ: Kochi Kerala. - Statutory Commodity Boards → Tea Board, Spices Board, Tobacco Board, Coffee Board, Rubber Board. Controversy? Some newspapers suggesting these boards may be closed / merged. So farmers are opposing. - Export Inspection Council (EIC): details given in separate section. scroll down.
Autonom	Indian Institute of Foreign Trade (IIFT, Delhi)- a “Deemed University”



ous	Offers MBA, PHD and other programs to students.
Other	Export Promotion Council: - These Councils are registered as non-profit organizations under the Companies Act/ Societies Registration Act. - Total 14 such councils looking after sectors such as Chemicals, Plastics, Pharmaceuticals, Cosmetics, Leather, Sports Goods, Gem and Jewellery Exports, Cashew, Oil Seeds etc.

30.17.4 🔍 Commerce Ministry: Export Inspection Council (EIC)

- **Boss?** Commerce ministry
- **Type?** Statutory body under Export (Quality Control and Inspection) Act, 1963
- **HQ in Delhi.** Its field offices of Export Inspection Agencies (EIAs) @Mumbai, Kolkata, Kochi, Delhi and Chennai
- **Function?** ensures quality and safety of products exported from India.

EIC certificates	description / examples
Compulsory for	fish, dairy, honey, egg products, meat, Gelatine, crushed bones, Ossein (collagen of bones)
Voluntary for	(1) food items not mentioned in above list. (2) non-food items

🚩👤 **FAQ: What is attached office / autonomous body?** Ans. See pillar2's 1st lecture.

AB CD MCQ. APEDA successfully completed India's first-ever commercial shipments of premium Sangola and Bhagwa pomegranates to _ _ _ _ (GPSC-2025)

(A) USA (B) Australia (C) UAE (D) Denmark

Note: Ans B. But, it is not possible to memorise such random GK better to skip.

AB CD ? MCQ. Find correct about "Tea Board" in India:

1. The Tea Board is a statutory body.
2. It is a regulatory body attached to the Ministry of Agriculture and Farmers Welfare.
3. The Tea Board's Head Office is situated in Bengaluru.
4. The Board has overseas offices at Dubai and Moscow.

Codes: (a) 1 and 3 (b) 2 and 4 (c) 3 and 4 (d) 1 and 4

30.5.1 📁 Budget-2020 : Medieval dictionary GK about Foreign Trade

In Indus script- "Takara Kolimi=Tin smithery", "Sreni =" Guild," Sethi"= wholesale merchant, "Poddar"= Assayer of metal into treasury. (Medieval dictionary GK asked in PCQ so memorize.)

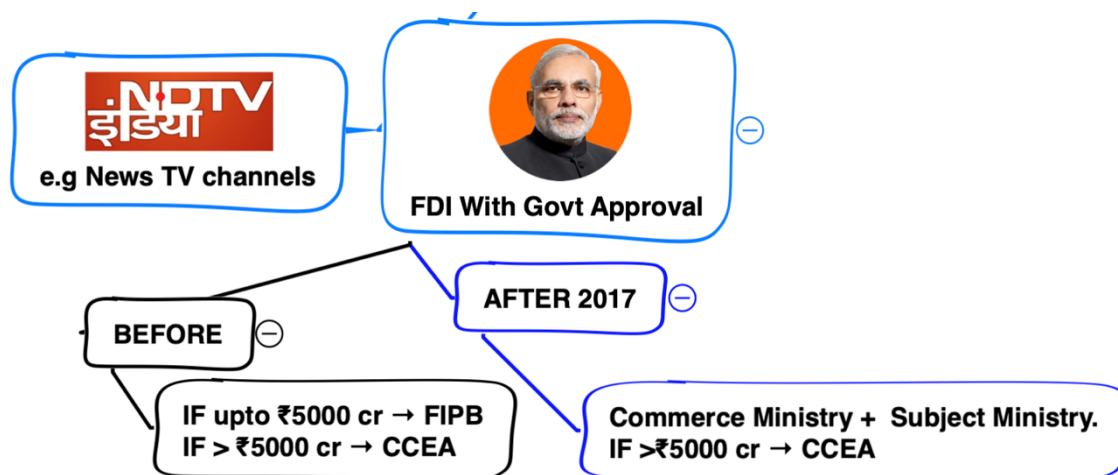
30.17.5 🧑🏫♂️ (2019) DIPP becomes DPIIT (विभाग का नाम बदला गया)

- ⇒ 📁 Interim-Budget- 2019: Govt renamed Commerce Ministry's Department of Industrial Policy and Promotion (DIPP: औद्योगिक नीति और संवर्धन विभाग) → Department for Promotion of Industry and Internal Trade (DPIIT: उद्योग और आंतरिक व्यापार को बढ़ावा देने के लिए विभाग).
- ⇒ It'll function under Ministry of Commerce and Industry
- ⇒ **DPIIT's Objectives?** Promotion of internal trade, including retail trade; welfare of traders and their employees; matters relating to ease of doing business; and startups.



30.17.6 🧑 (2017) FIPB Abolished (विदेशी निवेश अनुमति की संस्था को हटाया गया)

- CCEA = Cabinet Committee on Economic Affairs (CCEA)
- Foreign Investment Promotion Board (FIPB: विदेशी निवेश संवर्धन बोर्ड)- abolished in 2017.
- After 2017: Individual ministries/departments are empowered to clear FDI proposals in consultation with Commerce Ministry. e.g. FDI in Pendrive factory → MEITY + Commerce Ministry. (if proposal above ₹5kcr → CCEA)
- However, Only Home Ministry will clear FDI proposals coming from **Pakistan and Bangladesh**; and FDI proposals for private security agencies, small arms manufacturing.



30.5.2 📁👤💰 BoP: Capital → Chinese FDI need Govt approval

Before	From 2020-April
If any FDI proposal coming from Pakistan and Bangladesh, it required approval from Government of India.	⇒ If any FDI proposal from any country that shares border with India → Indian Govt approval required ⇒ Means, Pakistan, Afghanistan, China, Nepal, Bhutan, Bangladesh and Myanmar

- ✓ Govt decided this because: Corona-led slowdown = Indian companies suffering from losses. China may mis-use this opportunity to takeover such Indian companies @very low share price → will harm our strategic & economic interests. (चीन, हमारी भारतीय कंपनियों का अधिग्रहण करेगा तो भारत के रणनीतिक और आर्थिक हितों को नुकसान हो सकता है)
- ✓ 🧐 Criticism? China says this is violation of WTO norms related to foreign investment. Although Australia and Germany also announced similar restrictions on China for similar reasons (More on WTO in 📄 Pillar#3B)

30.17.7 🧑 Related Topic: Cabinet Committees

Table 1: For more PHD you may refer- https://cabsec.gov.in/writereaddata/cabinetcommittees/english/1_Upload_3017.pdf

Cabinet Committee on	Boss*	Notes
1) Appointments नियुक्ति विषयक केबिनेट समिति	🧑 PM	finalizes the name for top level appointments like Cabinet Secretary, Indian ambassadors to each nation etc. This Committee has only 2 persons-



Cabinet Committee on	Boss*	Notes
		Modi & Shah.
2) Accommodation आवास	HM	Giving house allocation to politicians, top officials
3) Economic Affairs आर्थिक मामले	👤 PM	FDI approval, Agri-MSP approval (Pillar#4A), Bank merger, disinvestment etc grand things
4) Parliamentary Affairs संसदीय कार्य	Defense Minister	Defense Minister Rajnath Singh made boss for his acumen in parliamentary matters
5) Political Affairs, 6) Security 5) राजनीतिक मामले, 6) सुरक्षा	👤 PM	Self-explanatory. If PM is in a cabinet Committee, he automatically becomes its chairman
7) Investment and Growth 8) Employment and Skill Development	👤 PM	These two are new committee formed after 2019's General Election. 7) निवेश और विकास 8) रोजगार और कौशल विकास

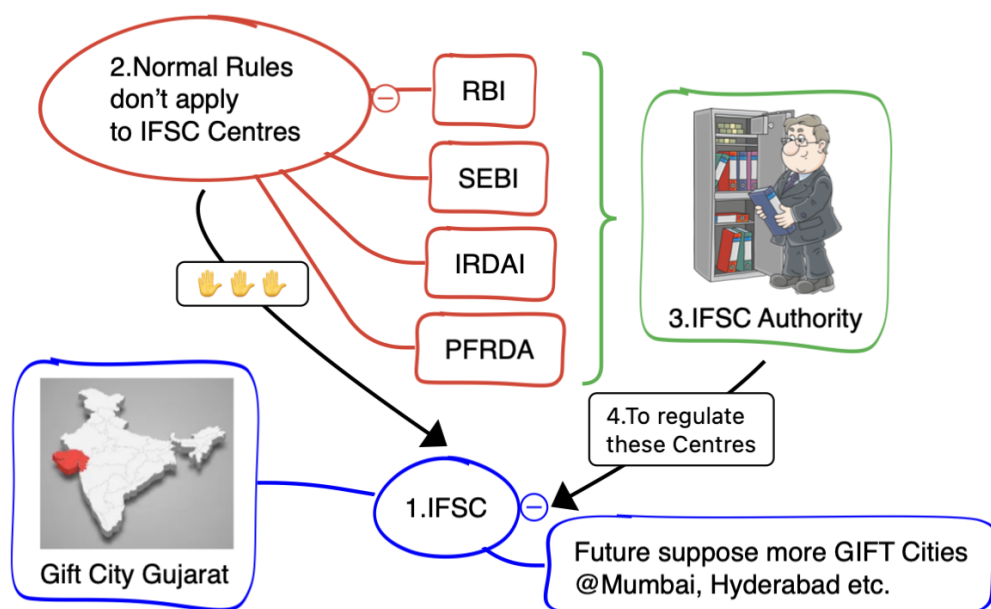
30.18 🐯👤🦁 INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC) / GIFT CITY

- ✓ International Financial Services Centre (IFSC) is a place having high concentration of financial institutions such as Banks, Stock Markets, Insurance firms, Fund Managers, FinTech firms, etc.,
 - ✓ A nation will not apply its local taxation and investment norms in its IFSCs (अंतर्राष्ट्रीय वित्तीय सेवा केंद्र:) E.g. UAE → Dubai's IFSC centre: 100% FDI allowed in any sector. 100% Capital Account Convertibility (i.e. Invest & pullout money as & when you please in any currency of your choice!), 0% income tax for 50 years. DTAA with most countries. Independent judiciary not bound with local laws. Quick Visa etc. (करो में भारी छूट, स्थानिक कानूनों से मुक्ति)
 - ✓ 🏦 **Result?** Such place becomes a hub / base of operation for international financial companies and investment bankers. It also creates trickle down benefits for local people e.g. Chartered Accountants, Hoteliers, Golf club owners, Taxi operators etc.
 - ✓ London, New York, Hong Kong and Singapore to have also grown by setting up such centres. Taking their example, India too has set up Gujarat International Finance Tec (GIFT) city international financial services centre (IFSC) near Ahmedabad. (2015)
 - ✓ Although GIFT city not yet attracted good number of international financial companies because the tax benefits are not as great as Singapore, Hong Kong etc.
 - ✓ This 'greenfield' GIFT city was developed by 50:50 Joint venture of (the infamous) IL&FS + Gujarat Urban Development Company Limited (GUDCL). Together they were responsible for the construction, electricity, water, sanitation and other responsibilities of running this city. But post IL&FS crisis, Govt of Gujarat has bought IL&FS's 50% shareholding.
- ⇒ 📁 **Budget-2019:** Companies operating from GIFT-city-IFSC given 100% exemption from Corporation Tax for 10 years
- ⇒ 2024: While Gujarat has liquor prohibition but it is lifted in GIFT city. (शराब-बंदी में छूट)



30.18.1 🧑‍💻👨‍💼👩‍💼: IFSC Authority Act, 2019

- ✓ IFSC (such as GIFT city) are setup under the SEZ Act.
 - ✓ IFSC get relief / exemption in the Indian tax laws. Further, RBI, SEBI, IRDAI and other regulators' norms also apply in relaxed manner. E.g. Bank branches in GIFT-city-IFSC are exempted from RBI's CRR-SLR-PSL etc. norms.
 - ✓ 2019's Act aim to setup a statutory International Financial Services Centres Authority (अंतर्राष्ट्रीय वित्तीय सेवा केंद्र प्राधिकरण), with
 - One Chairperson+ One member each nominated from RBI, SEBI, IRDAI, PFRDA
 - + few other members from Finance ministry etc
 - Tenure? 3 years. Re-appointment? Yes, possible.
 - ✓ The IFSC Authority will regulate all financial services, products, institutions in International Financial Services Centers of India.
- ⇒ **2020-April:** Government announced its headquarter will be at **Gandhinagar, Gujarat**. (Since Gandhinagar is the only place with an IFSC at present, i.e. GIFT City)
- ⇒ 🤔 **Controversy?** Maharashtra political outfits demanding HQ should be in Mumbai.



30.5.3 💰 Budget-2023 on IFSCA Authority

- ⇒ We'll give more powers to IFSCA Authority. This will help reducing problem of dual regulation between IFSCA Authority vs other (State/Union) Authorities under SEZ Act. (नियंत्रण के ब्यर्थ दोहराव को रोकने के लिए आईएफएससी संस्था की शक्तियों में बढ़ोतरी करेंगे)
- ⇒ We'll setup a single window IT portal for Banks'/NBFCs' registration to IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI. (पंजीकरण के लिए एकल आईटी खिड़की का निर्माण)

30.18.2 🏠 Foreign University @ Gift City

- ⇒ **2023:** Deakin University (Australia) has become the 1st foreign university to to set up an International Branch Campus (IBC) in GIFT City, Gujarat.
- ⇒ Such foreign Uni in GIFT city will not be regulated by India's **University Grants Commission** (UGC). They'll be regulated by IFSC Authority.



30.18.3 Data Embassy @Gift city in 🏠 Budget-2023

⇒ A data embassy is a place where a country stores its important data in a secure location in another country. Benefit? To protect sensitive data from disasters or cyber-attacks.

⇒ 🏠 Budget-2023: we'll encourage setting up Data Embassy @Gift city.

30.5.4 🐼👤: Variable Capital Companies (VCC)@Gift city

⇒ VCC is a special type of company dealing with several collective investment schemes e.g. investing in shares/bonds/real estate/startups, Acting as FPI in other nations etc

⇒ VCC has greater operational flexibility than traditional Mutual Fund, Hedge Funds, REITS, Limited Liability Partnerships (LLPs), Private limited companies etc (REF Pillar1C).

⇒ VCCs are prevalent in Singapore, UK, Luxembourg and other global financial centres.

⇒ 2021: International Financial Services Centres Authority setup K.P. Krishnan committee. Krishnan recommended allowing them (VCCs) in India.

👉 Beyond this, VCC pe PHD NOT REQUIRED

📖? MCQ. Who among the following was the Head of the Expert Committee on Variable Capital Company in India which has submitted its report recently? (UPSC CAPF-2021)

(a) K. P. Krishnan (b) Ketan Dalal (c) J. Ranganayakulu (d) Bobby Parikh

30.19 🏠🔪 BOP → CAPITAL → DEBT (LOANS & NON RESIDENT BANK DEPOSITS)

NET inflow in (Bn. USD) → निवल आमद	2018-19
Foreign Investment (FPI & FDI)	+30
✓ External borrowing: Pvt. Sector borrowing > Govt.	+16
✓ Further, majority of India's external debt is in US\$ currency > Indian Rupee > IMF's SDR > (Yen, Euro, Pound Sterling, etc)	
Non-Residents' Deposits in Indian Banks [Foreign Currency Non-Resident FCNR accounts] & other misc. components of Capital Account	+7
NET balance in Capital Account (approx.)	+ 54

30.19.1 💰 NRI deposits to India are rising says 📖 ES25:

2024-Non-Resident Indian (NRI) deposits have increased due to weaker rupee, bcoz it attracts NRIs to park their (dollar) savings in India. (Ref: Pillar#3B for Currency exchange.)

30.5.5 🏠🔪 External Debt : Composition Govt vs Pvt. As per ES23 (बाह्य/विदेशी ऋण)

TYPE OF EXTERNAL DEBT	IN BILLIONS DOLLARS	%
🐼 A) Public/Govt Sovereign External Debt	\$124.5 सरकार ने इतना उधार लिया।	20.4%
👤 B) Private sector Non-Sovereign External Debt (or external commercial borrowing)	\$486.0 निजी कंपनियों ने इतना लिया।	79.6%
Total External Debt (A+B) कुल योग	\$610.5	100%

30.5.6 🏠🔪 External Debt : currency wise as per 📖 ES25

India's Debt Repayment	US Dollar	Indian Rupee	IMF-SDR^^	Euro
% of total loans (Govt + Pvt sector)	53.4%	31.2%	5% (SDR = ref Pill#3B)	3%



🚩🧐 **FAQ: In pillar 2D according to ES most of our foreign debt is in rupee currency but in pillar 3 we studied majority of India's external debt is in USD currency. how can this happen?**

Ans. **Bhai dhyaan se padho!!** Pillar2D Talked about **only govt loans**. Here pill3 talking about loans taken Both by (A) **govt plus** (B) **private sector** (Adani/Ambani etc). And since pvt parties borrowed more quantity of foreign money than Indian govt, so data will change.

- 🧐 FAQ2: in above table, the total is 93% and not 100% Ans remaining 7%, maybe other currency. Economic survey did not clarify. I did not become Sherlock Holmes to find out.

30.19.2 🧐🔪 BoP → Capital Account → Misc. Concept: NIIP

Net International Investment Position (NIIP)= value of overseas assets owned by a nation minus the value of domestic assets owned by foreigners.

⇒ 🧐 **Positive** NIIP value = creditor nation (लेनदार राष्ट्र)

⇒ 🧐 **Negative** value = debtor nation (कर्जदार देश). USA highest, India at 8th place (in 2018)

CATEGORY	BILLION \$ AS PER 📖 ES24
Sr1. Indian residents' overseas financial assets	(+) \$1028 billion
Sr2. Foreigners' investment in India	(minus) \$1,390 billion
Net claims of non-residents on India = Sr1-Sr2	= (minus) \$362 billion.

Note that the result is negative, indicating that non-residents have a net claim on India.

30.5.7 🧐🔪 Asset liability ratio (सम्पत्ति-देयता अनुपात)

⇒ In above table divide sr1/sr2 = 74% = It is less than <100%. Means India owns lesser foreign assets compared to liabilities to foreigners.

30.5.8 🧐🔪 BoP → Capital Account → Misc.: VOSTRO, NOSTRO, FCNR, NRE, NRO

Refer to Pillar3B: Currency Exchange, internationalization of Rupee Topic.

30.5.9 🧐🔪 BoP: External Debt overhang Problem (ऋण की अधिकता)

📖 ES21: There is a "Laffer Curve" like relationship between foreign debt and GDP growth:

⇒ Up to a certain level, more External borrowing → ↑ economic growth (Because that foreign money can be used for expanding the local factories, jobs, production).

⇒ Because too much debt = then all of your new (monthly/yearly) income will be gone in repaying the previous loan installments. This phenomena is known as **debt overhang**.

- Debt overhang destroys enthusiasm and motivation to work harder.
- Debt overhang increases the chances of loan default e.g. Argentina, Ecuador, Belize, Lebanon, Suriname and Zambia – have defaulted on their sovereign debt in Corona.

⇒ 📖 ES21 and 📖 ES22 observed that Presently India's external debt to GDP is at the optimal level. (In other words we should not let this ratio increase anymore.)

📖 MCQ. Find correct statement(s): (Pre-2019)

(1) Most of India's external debt is owed by govt entities. (2) All of India's external debt is denominated in US dollars.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

📖 MCQ. Which of the following constitute Capital Account? (UPSC-Pre-2013)

1. Foreign Loans. 2. Foreign Direct Investment. 3. Private Remittances. 4. Portfolio Investment.

Answer codes: (a) 1, 2 and 3 (b) 1, 2 and 4 (c) 2, 3 and 4 (d) 1, 3 and 4

Next HDT: 3B- BoP, Currency Exchange, SDR, Forex, NEER, REER



Pillar3B: BoP, Currency Exchange, Forex, SDR, NEER, REER, PPP

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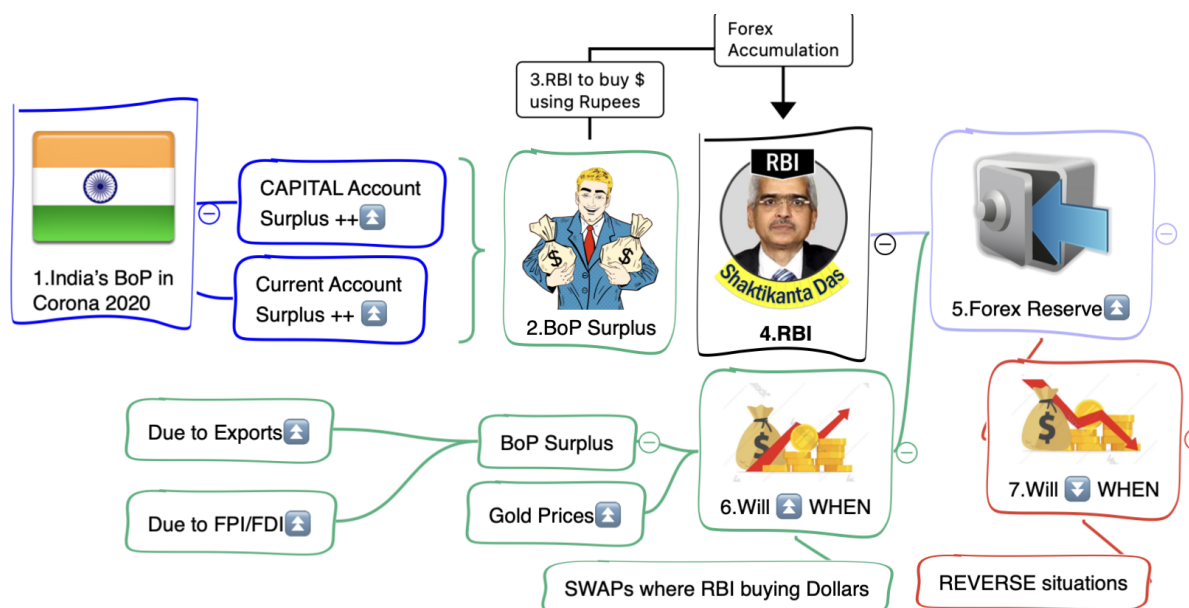
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31 BOP, CURRENCY EXCHANGE, FOREX, SDR, NEER, REER, PPP

31.1 📺🏆: 📊📈 BOP → SUMMING UP

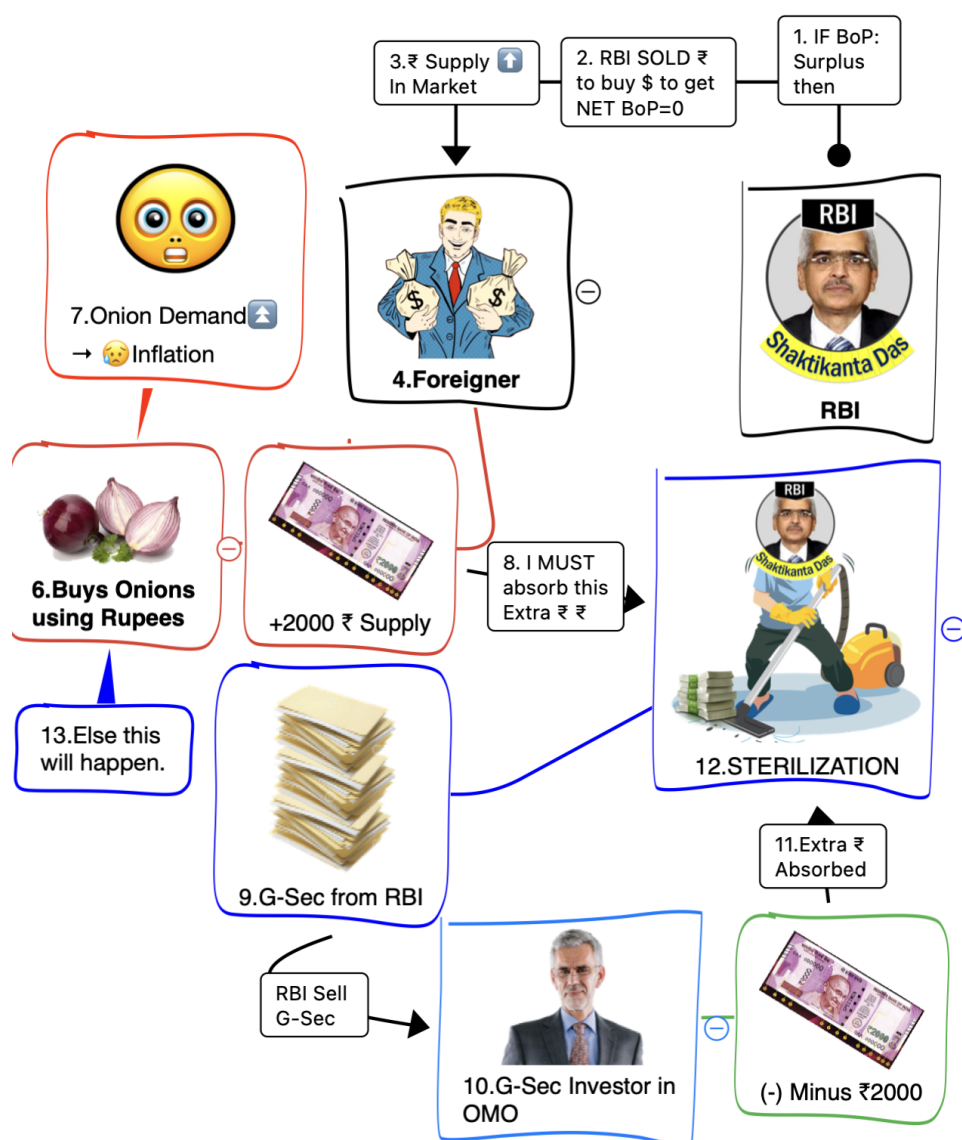


sr	Approx Bn. USD	2018-19	📅 2020-21
1	Current Account Deficit: चालू खाता घाटा	- 57	+24
2	Capital Account Surplus: पूंजी खाता अधिशेष	+ 54	+64
3	Errors & Omissions: त्रुटियां और चूक	-0.486	-0.3
4	Overall Balance: समग्र संतुलन/ शेष	(-) 3 bn	+87
5	Official Reserve Transactions or Monetary Movements in RBI's Foreign Exchange Reserves** (रिज़र्व बैंक फॉरेक्स बाजार से डॉलर की खरीदी या बिक्री करेगी ताकि विनिमय दर में स्थिरता रहे)	(+) 3 bn [Meaning RBI sold \$\$ from its reserves]	(-)87 [Meaning RBI bought this much \$\$ from market]
	NET Balance of Payment for India	0 (ZERO)	0 (ZERO)

- Sr. no 1 to 4 are called **Autonomous transactions** because they occur independently on their own without RBI's involvement. (यह लेनदेन स्वायत्त रूप से, अपने आप ही हो जाती है, रिज़र्व बैंक के कहने पर नहीं होती)
- Sr. no 5 is called **Accommodating transactions**, bcoz RBI will do it based on whether we are having surplus or deficit due to previous 4 items (so that RBI can accommodate NET BoP to ZERO). (यह अपने आप नहीं हो जाता, रिज़र्व बैंक ने अपना दिमाग लगाकर इसको करना पड़ता है)



- **Column for 2018-19: (+) sign indicates RBI supplied/sold that many \$\$ from its forex reserve, else \$ becomes stronger= ₹ becomes weaker bad for importers. Here (+) Sign indicates in RBI's forex reserve (since RBI sold dollars) [रिज़र्व बैंक की तिजोरी में इतने डॉलर की मात्रा कम हुई]
- **Column for 2020: (-) sign indicates RBI purchased \$\$ from market, else ₹ rupee becomes stronger= bad for exporters. (-) Sign in sr.5 row indicates in RBI's forex reserve (since RBI bought dollars) [रिज़र्व बैंक की तिजोरी में इतने डॉलर की मात्रा बढ़ जाएगी].



31.1.1 Sterilization (स्थिरीकरण)?

- ⇒ If there is a BoP situation, wherein RBI has to sell ₹ to buy \$ to get the NET answer ZERO then...
- Such RBI action would result in supply of rupee currency in the Indian market → it can cause inflation if there is not sufficient supply of goods for purchase.
- ⇒ So, RBI must 'absorb' that excess rupee currency back. RBI will do it through Open Market Operation (OMO: REF-1A2) → sell govt securities to buyback Indian rupees. This process is



called Sterilization. रिजर्व बैंक ने यदि डॉलर खरीदने के लिए बाजार में रुपए दिए तो उन्हीं रुपयों को वापस से भी चूस लेना

चाहिए, वरना महंगाई हो सकती है → इसलिए रिजर्व बैंक, सरकारी प्रतिभूतियां भेजकर बाजार ₹ चूस लेता है इसे स्थिरीकरण कहते हैं

MCQ. Which activities of the RBI is considered to be part of 'sterilisation'? (Pre'23)

- (a) Conducting Open Market Operations (b) Oversight of settlement and payment systems
(c) Debt and cash management for the Central and State Govts
(d) Regulating the functions of Non-banking Financial Institutions

MCQ. Find correct about balance of payments: (GPSC-2025)

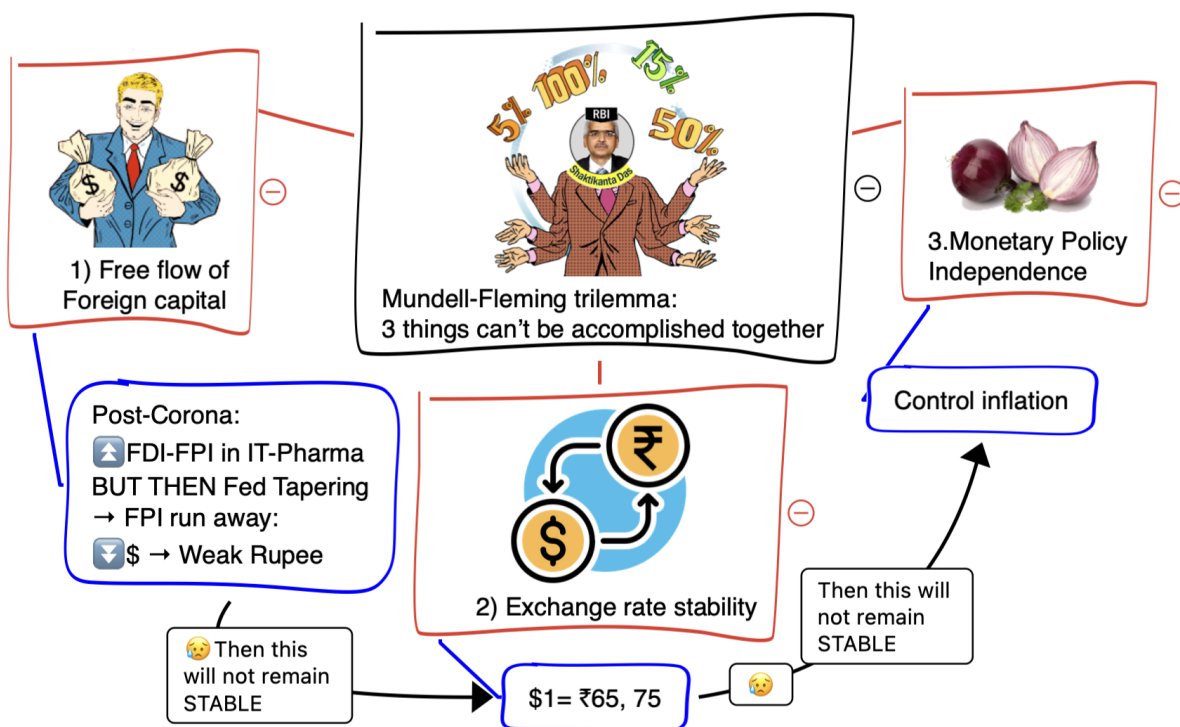
1. Exports and imports of services are recorded in current account
2. Unilateral flows are recorded in capital account
3. Current account surplus always equals capital account deficit

Code: (A) 1 and 2 only (B) 2 and 3 only (C) 1 and 3 only (D) 1, 2 and 3

Hint: Unilateral = one directional flow e.g. NRI sending remittance from USA to India.

31.1.2 🏠👤📦: 🍎🍌 Mundell-Fleming Trilemma (मंडल फ्लेमिंग की त्रि-आयामी द्रुविधा)

Theory by economists Robert Mundell and Marcus Fleming (1960s). It argues that three things can't be accomplished together: रिजर्व बैंक तीन चीजें एक साथ नहीं कर सकते



In this trilemma, What did RBI do, during Corona-2020? Ans. RBI felt that inflation will increase

↑ irrespectively, because of the Corona lockdown related supply-demand mismatch. So, RBI focused on controlling exchange rate instability. Watch Video for more.



31.2 (📦🏆👉👈👉👈)⚠️ INDIA'S BALANCE OF PAYMENT CRISIS (1991)

Nowadays India *usually* has “DEFICIT” in current account (due to crude oil imports), but there is *usually* sufficient “SURPLUS” in capital account (thanks to FDI & FPI) to counter/offset that Current Account DEFICIT. (सामान्य रूप से चालू खाते में घाटा, और पूंजी खाते में अधिशेष होता है)

- But in the pre-1991's Nehruvian Socialist Economy, many sectors were nationalised (banking insurance) and / or reserved for the public sector companies only = mismanaged & inefficiency. Private sector industrialists were allowed only in selected sectors, and were subjected to Licence-Quota-Inspector Raj → 📉competition, 📉innovation = low exports. (Ref: 📄Pillar#4B)
- And our policy makers restricted foreign investments (FDI /FPI) fearing that
 - It'll bring USA-CIA's invisible hand in Indian Affairs,
 - Our Swadeshi industries & our 'Non-Alignment Movement (NAM)' will be harmed.
- 🤖 **End result?** High level of “DEFICIT” in Current Account and not enough surplus in Capital account to counter/offset that DEFICIT. The situation could be like this:

1991 → imaginary figures for illustration only (सिर्फ उदाहरण के लिए काल्पनिक आंकड़े)	(Bn. USD)
Current Account (Deficit) [चालू खाते में बोहोत बड़ा घाटा]	- 100
Capital Account (Surplus, but it's insufficient surplus) [पूंजी खाते में अपर्याप्त अधिशेष]	+ 50
Errors & Omissions	0
Overall Balance	- 50
Monetary Movements in RBI's Foreign Exchange Reserves**	+ 50
NET Balance of Payment for India	0

**Here plus (+) indicates RBI must sell dollars from its forex reserve to keep India's BoP at ZERO

level. If they can't do it then shortage of dollars in Indian market to pay for our import bills → results in heavy weakening of Indian rupee (e.g. \$1 = ₹ 60 → \$1 = ₹ 6000) then it becomes even more expensive to import oil. रुपया बहुत कमजोर हुआ तो कच्चा तेल आयात करना और महंगा होगा

- In 1991, RBI didn't have enough forex reserves to get India's BoP zero → we had to pledge our gold to IMF to borrow dollars. सोना गिरवी रखकर डॉलर के लोन लिए
- IMF also imposed certain conditions which required India to open up its economy through LPG reforms (Liberalisation, Privatisation, Globalisation: उदारीकरण, निजीकरण, वैश्वीकरण). 🎓 **Self-study** from (new) NCERT Class11: Indian economic development → Ch3.
- 2022: SriLanka facing similar problems but we're not preparing for SrilankiPSC so boycott-PHD.

31.2.1 (📦🏆👉👈👉👈)⚠️ Disequilibrium in BoP: Factors responsible (असंतुलन के कारण)

When Credit (Receipt, income money) = Debit (Payment, outgoing money) then BoP will be ZERO. If, not then BoP is in disequilibrium. This can happen because of:

⇒ **Development** disequilibrium (विकास का असंतुलन): poor nations have to import more grains, medicines etc. = adverse BoP.



- ⇒ **Secular** or Long-term Disequilibrium (दीर्घ अवधि तक रहने वाला): newborn nation is usually poor & backward so imports >> Export. E.g. Nehru's India until it matured in the 90s.
- ⇒ **Consumerism** and Demonstration Effect: Rich Indians try to copy westernized lifestyles. So, ↑ import of Switzerland wristwatches + Sports Cars = adverse BoP. (उपभोक्तावाद, दिखावा करने की चाह → ज्यादा आयात के चलते भुगतान संतुलन खराब होता है)
- ⇒ **Structural** Disequilibrium = if transport, electricity infrastructure is poor or Technological Backwardness = exports can't improve. (संरचनात्मक और तकनीकी)
- ⇒ **Cyclical** Disequilibrium (चक्रीय असंतुलन): When two countries may be passing through different phases of business cycle (Boom, slowdown...तेजी और मंदी का चक्र), so there will be mismatch in imports, exports, FDI etc.

AB CD Which is not a factor responsible for BoP imbalance in India since 1991? (GPSC-2025)

- (A) Increased import of goods and services for various reasons
- (B) Hindrances in capital flows
- (C) Depreciation of domestic currency, especially when import payments exceed export earnings
- (D) Appreciation of domestic currency, especially when import payments exceed export earnings
- Hint: if import ↑ → local currency will weaken. D says it'll get strong.

31.3 🐼💰 RBI'S FOREX RESERVE: विदेशी मुद्रा रिजर्व

The Forex Reserve component(s) are =

- 1) Foreign Currency Assets (includes foreign currencies & G-Sec/bonds of foreign Govts)
- 2) Gold (स्वर्ण)
- 3) Reserve Tranche Position (RTP) in the IMF. Also called **Gold Tranche** (What is it? = NOT IMP.)
- 4) Special Drawing Right (SDR) of International Monetary Fund (IMF)

End of Fiscal amt in million dollars	Gold	RTP	SDRs	Foreign Currency Assets	Total (2+3+4+5)
(1)	(2)	(3)	(4)	(5)	(6)
2018-19	23071	2986	1457	385357	412871
2019-20	30578	3583	1433	442213	477807
2020-21	33880	4925	1486	536693	576984
2021-22	42551	5143	18891	540724	607309
2022-23	45200	5165	18392	509691	578449
2023-24	52675	4662	18132	570950	646419
Dec-24	66148	4217	17882	547454	635701

↙
= \$635 billion

USA is not in the top-10 list, it barely keeps ~\$250 billions in reserve. Because USA has floating exchange rate so USA central bank doesn't worry about currency exchange.

31.3.1 💰🏠 Foreign Exchange Reserves 📖 ES25:

- ⇒ 2024: India's forex in 640–700 billion range. It is sufficient to cover for



- ⇒ (a) approximately 90 per cent of India's external debt of 700+ billion dollars (govt+pvt debt) as of 2024-Sept.
- ⇒ (b) more than 3 months of India's import bill.
- ⇒ 2024: world's largest foreign exchange reserve-holding countries(1) China (\$3 trillion), (2) Japan, (3) Switzerland (4) India
- ⇒ 🚩👤 **instant-FAQ by Zhande-walle Babushone**: This data is not matching with some other data regarding external data in some other page or pillar. My answer: **varies month on month**. This much pedantry and nitpicking not required.

31.3.2 🏆 Gold % increasing in forex reserve - 📖 ES25:

The RBI's forex reserve is at its highest level since World War II, indicating that RBI is trying to shift away from dollar dominance, in its forex reserve.

Amt in billion \$	Gold	Total Forex Reserve	GOLD as % Forex Reserve
2015	\$20	\$360	5.6%
2020	\$33	\$576	5.7%
2024-Dec	\$66	\$635	10.4%

31.3.3 🚚🏆 India moves 100 metric tonnes of gold from UK (2024)

- ⇒ RBI sometimes stores gold abroad (A) To avoid transport costs and risks (B) for faster-trading in intl.markets(C) As loan-collateral e.g. in 1991's BoP crisis.
- ⇒ However, this poses risks during geopolitical tensions e.g. Western nations freezing of Russian assets during the Ukraine war (2022).
- ⇒ 2024: RBI decided to move its 100 metric tonne gold from Bank of England.

RBI's gold	Before	After moving 100 Mt from England to India
(A) Stored in India	308	408
(B) Stored Abroad	514	414
Total (A+B)	822	822 Metric Tonnes

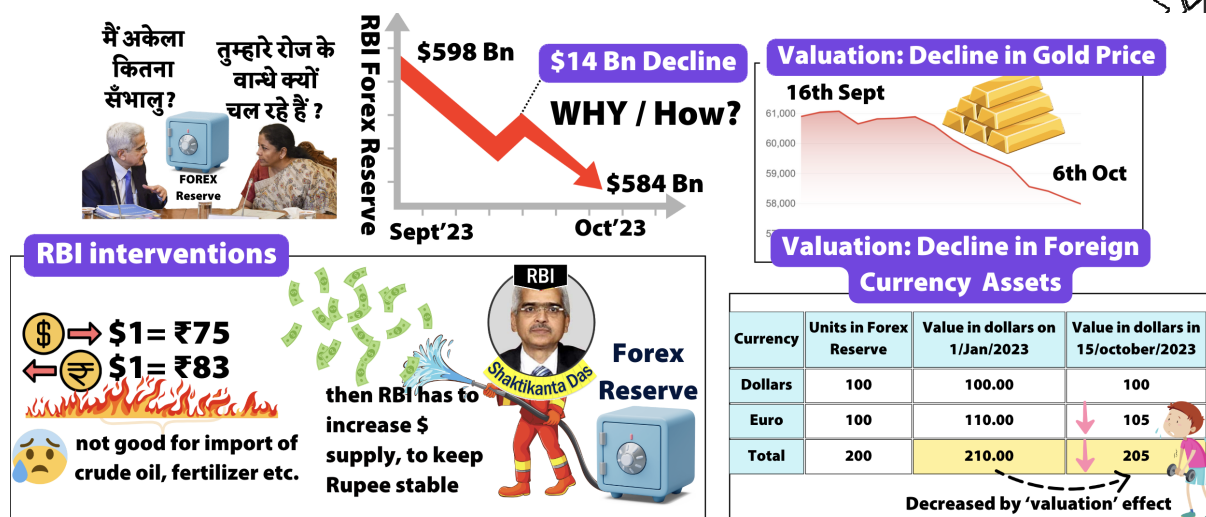
📖🔍 **MCQ. Which is included in India's foreign-exchange reserves? (UPSC-Pre-2013)**

- A. Foreign-currency assets, Special Drawing Rights (SDRs) and loans from foreign countries.
- B. Foreign-currency assets, gold holdings of the RBI and SDRs.
- C. Foreign-currency assets, loans from the World Bank and SDRs.
- D. Foreign-currency assets, gold holdings of the RBI and loans from the World Bank.

📖🔍 **MCQ. "Gold Tranche" (Reserve Tranche) refers to __ (UPSC-Pre-2020)**

- [a] A loan system of the World bank [b] One of the operations of a central bank
- [c] A credit system granted by WTO to its members [d] A credit system by IMF to its members

31.3.4 🐼🪥📈📉 Forex Reserve: goes up or down: when / how?



Factor / Variable	Forex Reserve goes up when	Forex goes down when
BoP accommodating transaction	in situation when RBI has to buy dollars to get net BoP = 0. e.g. when Both current account and capital account are surplus.	When RBI has to sell dollars to get net BoP = 0. e.g. when Current account deficit number is very high.
RBI interventions रिजर्व बैंक की दखल	when RBI has to buy dollars to keep rupee stable.	when RBI has to SELL dollars to keep rupee stable.
Valuation Effect (संपत्तियों के मूल्य की असर)	when the market value of the forex assets increases (जब रिजर्व बैंक की फॉरेक्स संपत्तियों का बाजार मूल्य बढ़ जाए)	reverse. Refer to the chart for fall in value of gold and Euro during 2023-Oct-Week1.

31.3.5 Significance of Foreign Exchange Reserves (महत्व)

- ⇒ To maintain the exchange rate stability (मुद्रा दर में स्थिरता के लिए विदेशी मुद्रा भंडार ज़रूरी।)
- ⇒ To absorb external-shocks (बाह्य वैश्विक झटकों से भारतीय अर्थतंत्र को संभालना)
- ⇒ To help economy in situations where foreign loans are very expensive/unavailable e.g. in situations similar to Pakistan/Sri Lanka. (जब विदेशी स्रोतों से कर्ज़ न मिल रहा हो।)

31.3.6 Indicators to find forex adequacy- as per IMF

Indicators	Rules for minimum forex reserve (न्यूनतम कितना विदेशी मुद्रा भंडार रिजर्व बैंक ने रखना चाहिए?)
Ratio of forex-reserve to imports	- RBI's S.S.Tarapore committee- Shd be Large enough to pay for 6 months' imports (छ: महीने के आयात का खर्चा उठा सके उतना फ़ोरेक्स भंडार होना चाहिए)
Ratio of forex-reserve to external debt	- IMF's Guidotti-Greenspan rule: Shd be Large enough to cover short-term external debt of upto 1 year tenure (लघु अवधि के विदेशी ऋण चुका सके उतना फ़ोरेक्स भंडार होना चाहिए)
Ratio of forex-reserve	- e.g. Forex / M3. (What is M3 = refer Pillar1A2)



to monetary aggregates	- what's the ideal number? Ans. Eco Survey didn't mention, so, I didn't google.
------------------------	---

MCQ. Adequacy of foreign exchange reserves is captured by which indicators? (CAPF-2023) 1.

- Reserves to import ratio 2. Reserves to external debt ratio
3. Reserves to GDP ratio 4. Reserves to monetary aggregates

Codes: (a) 1 and 3 only (b) 1, 2, 3 and 4 (c) 2, 3 and 4 only (d) 1, 2 and 4 only

31.3.7 🗑️ Negative implications of Large Forex Reserve (नकारात्मक आयाम)

- ⇒ if large forex reserve is built through exchange rate manipulation / deliberate weakening of local currency e.g. China = then weak currency → imported inflation in crude oil etc.
⇒ The excess money thus locked into forex reserve → not available for other activities e.g. health, education, poverty removal, infrastructure.

31.3.8 🤔 Weak Currency = Non-Tradable sector neglected

NON-TRADABLE SECTOR (व्यापार / निर्यात अयोग्य क्षेत्र) 📌	TRADABLE (EASILY EXPORTABLE) 📌
Healthcare, Education, Construction	Manufacturing, IT, Food Processing

- ⇒ If a country excessively focuses on exports → central bank will try to keep local currency weak and the government will focus more on giving tax cuts, subsidies and cheap loans to 'tradable' sectors e.g. Manufacturing, IT, Food Processing
⇒ But consequently, the non-tradable sectors (health, education) receive less funding/attention → possible loss of social /human development.

MCQ. Which of the following statements is/are correct? (CDS-2024-1)

- Most of India's reserves is held in the form of foreign currency.
- There is no cost of holding foreign currency as reserves by a nation.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

31.4 🧑‍💻 REMITTANCES & BOP STABILITY- 📖 ES24: OBSERVATION

- Inward-FDI tends to improve during economy boom, and decrease during economic slowdowns/crisis. Therefore FDI is considered pro-cyclical and destabilising for India. ^ (एफडीआई आर्थिक तेज़ी के समय में बढ़ती है, और मंदी के समय में कम हो जाती है.)
- But, remittances are permanent foreign currency inflows compared to FDI.- said 📖 ES24.
- Remittances directly support the economy by narrowing/stabilizing the Trade Deficit and Current Account Deficit (CAD), especially for net importing countries like India. ^^

^ 🧑‍💻 FAQ: earlier u said, FDI provide stable source of funding. So, isn't in this contradictory? Ans. Stability is relative term. FPI (hot-money) < FDI more stable < Remittance even more stable. You've to tick as per the MCQ-options.

^^ 🧑‍💻 FAQ: But, Remittance classified under invisibles, trade deficit is different. How can remittance help. isn't in this contradictory? Ans. Economic survey is talking in general terms, about how remittance helps narrowing down the losses. You are nitpicking like a Supreme Court defense lawyer which is not required in MCQ.



31.4.1 🧑💻 Remittances relationship with oil prices and exchange rate

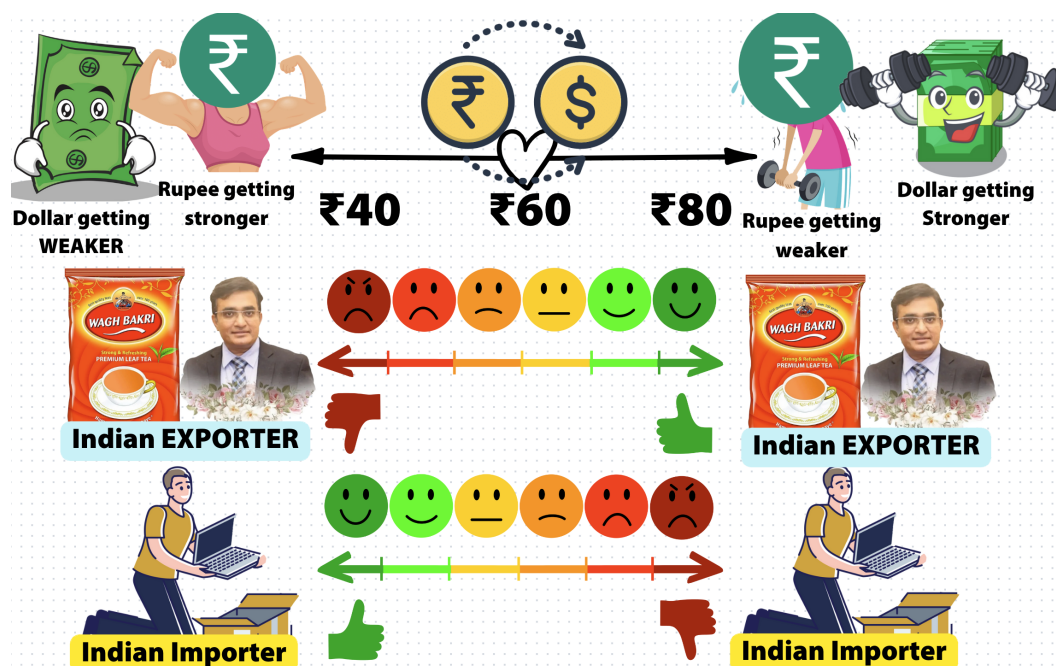
- (1) Higher global oil prices → Jobs for Indian workers in Middle East ↑ → remittances ↑.
Reverse also true, if oil price fall ↓ → jobs in Middle East ↓. → remittance2India ↓
- (2) Higher CAD → Weaker Rupee → Indian worker abroad will earn more in rupee currency
(bcoz his \$1,000 salary may ↑ ↑ from ₹ 75,000 to ↑ ↑ ₹84,000).
- so even if he's sending \$100 to family in India, now India received ₹7500 → ↑ ₹8400 remittance.
Thus, amount of remittances tend to positively correlate with exchange rate movements.

32 💵 CURRENCY EXCHANGE RATE: मुद्रा विनिमय दर=

(Definition) The price of one currency in terms of the other currency is called exchange rate. E.g. \$1 = ₹ 70. Meaning, it costs ₹ 70 to buy one dollar (or \$0.014 to buy ₹ 1).

Currency Exchange Rate	Indian Exporter of Tea	Indian Importer of Dell Laptops
Weaker ₹ = Stronger \$ (\$1=60 → 80)	😊😊😊 (assuming no change in inflation)	😞😞😞 . मेरे को आयात करते वक़्त ज़्यादा ज़त्ये में पैसा देना होगा !
Stronger ₹ = Weaker \$ (\$1=60 → 40)	😞😞😞 मेरे को निर्यात करते वक़्त कम ज़त्ये में पैसा मिलेगा ।	😊😊😊

- This is also called **Nominal Exchange Rate** because it does not take into consideration inflation or purchasing power in the respective countries. (औपचारिक विनिमय दर, महंगाई को नजरअंदाज किया)



- The place where currencies are exchanged is called **Foreign Exchange Market** (विदेश विनिमय बाज़ार). Their dealers are called Authorized (Forex) Dealers (AD). They can be banks or non-banks. They have to get registered with RBI under the Foreign Exchange Management Act (FEMA: विदेशी मुद्रा प्रबंधन अधिनियम के अंतर्गत विदेशी मुद्रा के दलालों को रिजर्व बैंक से अनुमति लेनी होती है).



- These dealers keep **separate prices for buying and selling**, to make profit in between e.g. ICICI: \$1 Dollar buying price ₹ 67.95 and \$1 selling price is ₹ 72.76.
- Such currency transaction service is **also subjected to GST**, however the tax depends on the amount of currency exchanged. (e.g. upto ₹ 10 lakh exchanged in foreign currency then only ~₹ 3000 of that 10 lakh will be taxable in GST → 18% of 3000 → ₹ 540 GST Tax. GST will not be levied on the entire 10 lakh rupees)

32.1 EXCHANGE RATE REGIME: THEORY (APPRECIATION/DEPRECIATION)

	Fixed or Pegged (नियत विनिमय दर)	Managed Float / Dirty Float; प्रबंधित चल/ मलिन चल	Floating or Flexible (लचीला विनिमय दर)
Currency Exchange Rate Regimes मुद्रा विनिमय दर प्रणाली	इस भाव पे बाज़ार में न मिले डॉलर तो मेरे पास आना	सिर्फ़ आग लगे तब में दखल दूँगा।	मैं कुछ नहीं देखूँगा। बाज़ार तय करे।
Who decides exchange rate? मुद्रा विनिमय दर कौन तय करता है	Central Bank (e.g. China before 2005)	Market will decide, but if too much volatility Central Bank will intervene	Market. (e.g. USA)
Rupee Strengthens e.g \$1= ₹60 → ₹40	is called Revaluation	Appreciation	Appreciation
Rupee Weakens e.g \$1= ₹60 → ₹80	is called Devaluation	Depreciation	Depreciation
Challenges? इस प्रणाली में क्या चुनौती है?	if RBI doesn't have enough Forex → difficult to run this	• Currency Speculation (मुद्रा सट्टेबाज़ी) • Interest Rates in foreign nations (e.g Fed Tapering) • Currency Manipulation (e.g. China) (मुद्रा जोड़-तोड़)	

It is the set of rules governing the exchange of domestic currency with foreign currencies.

MCQ. Under flexible exchange rate system, the exchange rate is determined by [CDS-2015-II]

- (a) predominantly by market mechanism (b) by the Central Bank
(c) as a weighted index of a group of currencies (d) by the World Trade Organization

32.1.1 Runaway inflation and Runaway depreciation

“runaway” is a word to describe a situation in which something increases or develops very quickly and cannot be controlled.

Term	Meaning
Runaway Inflation	When prices of goods & services rise at an extremely fast and uncontrollable rate. महंगाई बहुत तेजी से बढ़ जाए.
Runaway Depreciation	When local currency faces an extremely rapid decline in value relative to other currencies. e.g. \$ 1= 175 Pakistani rupees (2022) to 300 Paki Rupees (2023)



32.1.2 Fixed / Pegged System → Challenges: Study of Sri Lanka (2022)



FAQ: Why doesn't Srilankan Central bank supply dollars from its Forex Reserve? Ans. Bhai They don't have enough forex. They're begging to IMF. More in Mains HDT- Debt Trap Diplomacy.

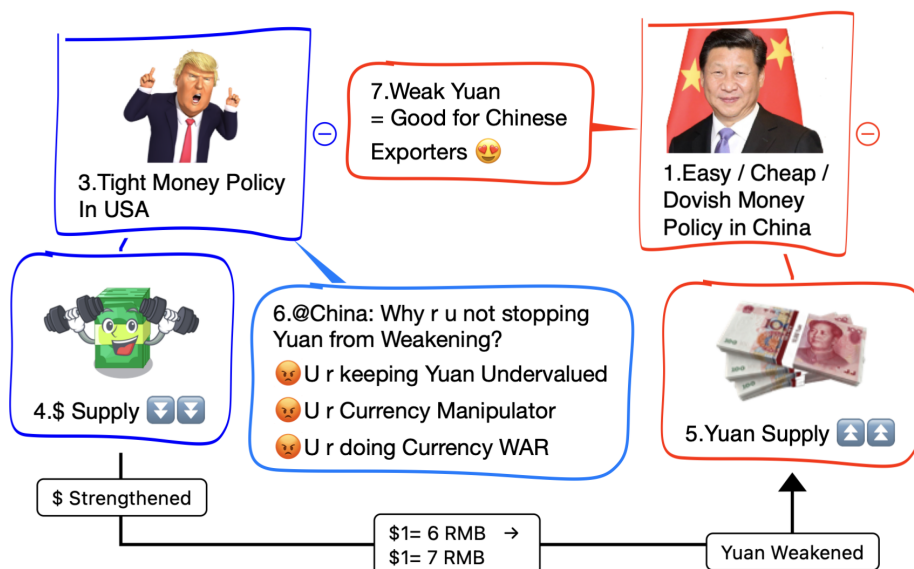
32.1.3 Managed Float System → Challenges ?

1. Currency speculation and interest rates (e.g USA Fed Tapering – refer to Pillar: 1A2.)



2. **Currency Manipulation/ मुद्रा जोड़-तोड़:** usually occurs when a central bank keeps buying dollars to create artificial scarcity of \$ in the forex markets → dollar becomes expensive → local currency becomes weak → boost to exports.

US Department of the Treasury publishes a semi-annual report to track such nations. China, S.Korea, India etc usually kept in ('Watch list') citing the (alleged) lack of transparency and consistency in their respective Central banks operations. (इन देशों की केंद्रीय बैंक, मुद्रा विनिमय दर को नियंत्रित रखने के लिए जो क्रियाएं करती है, उस में पारदर्शिता नहीं, इसलिए अमेरिका उन पर मुद्रा जोड़-तोड़ का इल्जाम लगाता है)



32.1.4 Currency War 2018 (मुद्रा युद्ध)

- 2005: Chinese authorities announced they don't manipulate/control Yuan exchange rate. They only intervene if Yuan's exchange rate varies more than +/- 4% from previous day.
- 2018: USA alleges that China is deliberately keeping Yuan weak to make Chinese product more cheaper in global trade. Trump accused Russia and Japan of playing similar 'Currency War' against him. (चीन पर अपनी मुद्रा जानबूझकर कमजोर रखने का आरोप)

32.1.5 Trump wants dollar weakened with Mar-a-Lago Accord (2025)



- Strong is not good for American exporters. Therefore,
- 1985: "Plaza Accord": France, Japan, West Germany, UK agreed with the US to jointly weaken the dollar. (because America had threatened those nations with high tariffs)
- 2025: Trump is proposing "Mar-a-Lago Accord^^" with same objective- To weaken the dollar. (^^ It is name of his resort/hotel.)



- **How will it work?** Example, if China signs this agreement → China sells large amount of dollars from its Chinese forex reserve (& purchases Yuan currency from market) → Dollar will become weaker, helping American exporters. Deal is not yet made as of 05_Apr_25.

32.1.6 🐯📈 RBI lets The Rupee depreciate (2025)

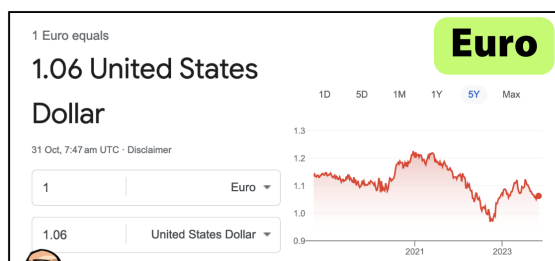


- 2024-Oct: FPI running away from Indian sharemarket (reason explained in Pill1C) → this resulted in weakening of the rupee. RBI sold nearly \$50 billion from its forex reserve to control this volatility.
- 2025-Jan: The rupee weakened from \$1= ₹85 to 86.70, but the RBI didn't intervene. The new Governor believes that trying to control the rupee-dollar exchange rate in a tight range would waste RBI's energy and forex-resources, so let the market forces decide.

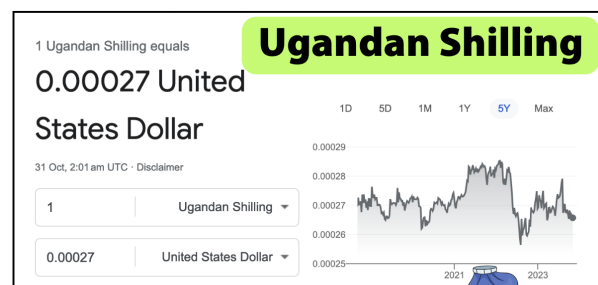
32.1.7 💵🔪 Reverse Currency war?

I don't find it important for exam, until future Economic Surveys talks about it however you can satisfy your intellectual curiosity from YouTube: <https://youtu.be/OFj-oz-DeQI>

32.2 💪 SOFT VS HARD CURRENCY



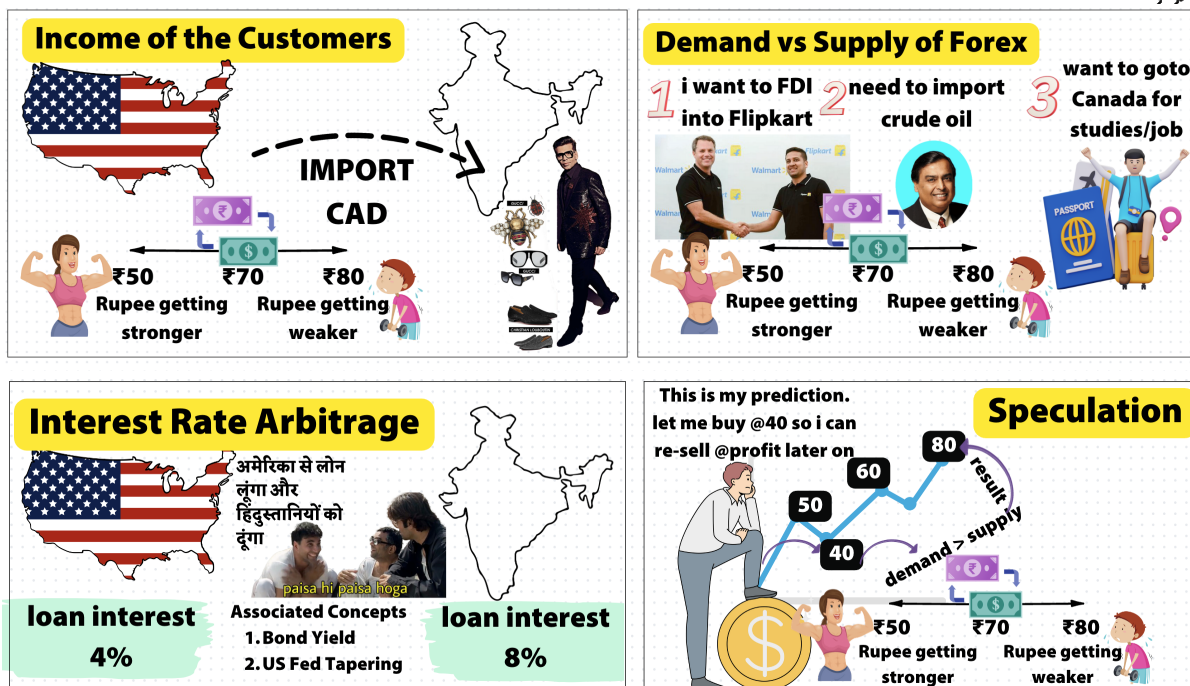
**Hard Currency
more stable**



**Soft Currency
less stable**

Type	💪 Hard currency	Soft currency
Volatility in exchange rate	low volatility	high volatility
Examples	Dollar, Pound, Euro etc	poor countries in Africa & Asia

32.2.1 💪 Soft currency - factors affecting



- ⇒ 1) Income of customers 2) Demand vs Supply of Forex
 ⇒ 3) Interest Rate Arbitrage 4) Speculation.

32.2.2 🏀 Soft Dollars vs Hard Dollars

- ⇒ This is a technical concept associated with American Sharemarket mutual fund commission. Not very imp for our exam, Irrespective of the useless MCQ in private mock tests.

32.3 🤖 BAD MONEY DRIVES OUT GOOD MONEY / TUGHLUQ / GRESHAM



- ⇒ "Bad money drives out good money." Thomas Gresham's law (Britain)
 ⇒ "Good money drives out bad money" Adolphe Thiers's law (France)
 ⇒ People stop using currencies that they consider to be of poor quality and adopt currencies that are found to be of better quality. AND/OR
 ⇒ People hoard/store the currency that they find to be of better quality.
 🚩 **FAQ:** aren't these two laws contradictory- one says good money drive bad money whereas other statement says bad money drives out good money? Ans. Depends on MCQ Statement.



32.3.1 🧑‍🦰 Bad Money vs good money - Modern examples- Zimbabwe Gold Coin

- ⇒ 2008: Zimbabwe ki local public prefers to use American dollars over their local currency due to hyper-inflation.
- ⇒ Once the price of a loaf of bread = 10 million Zimbabwe dollar currency units. So, it was more convenient to carry American dollars in pocket (=good money), than Zimbabwe currency in a truck/cart (=bad money). = "Good money drives out bad money" Adolphe Thiers's law (France)
- ⇒ 2022: Zimbabwe launched Gold coin currency called 'Mosi-oa-Tunya' (priced at 1 coin = \$1,800) because their public doesn't trust the local paper currency due to hyper-inflation.
- ⇒ 2022: Foreigners DONOT ACCEPT the FIXED exchange rate of Sri-Lankan Rupee Because Sri-Lankan Rupee at fixed exchange rate (Dollar=200) is BAD MONEY for them.

🚩🧑‍🦰 FAQ: I've 500 jaat ke counter argument / doubts ke why X didn't happen in Y? and why "A" should be called "B"? or can we say "C" also is example of "D"? Ans. NOTIMP4exam

32.4 💵🧑‍🦰 EXCHANGE RATE REGIME: HISTORIC

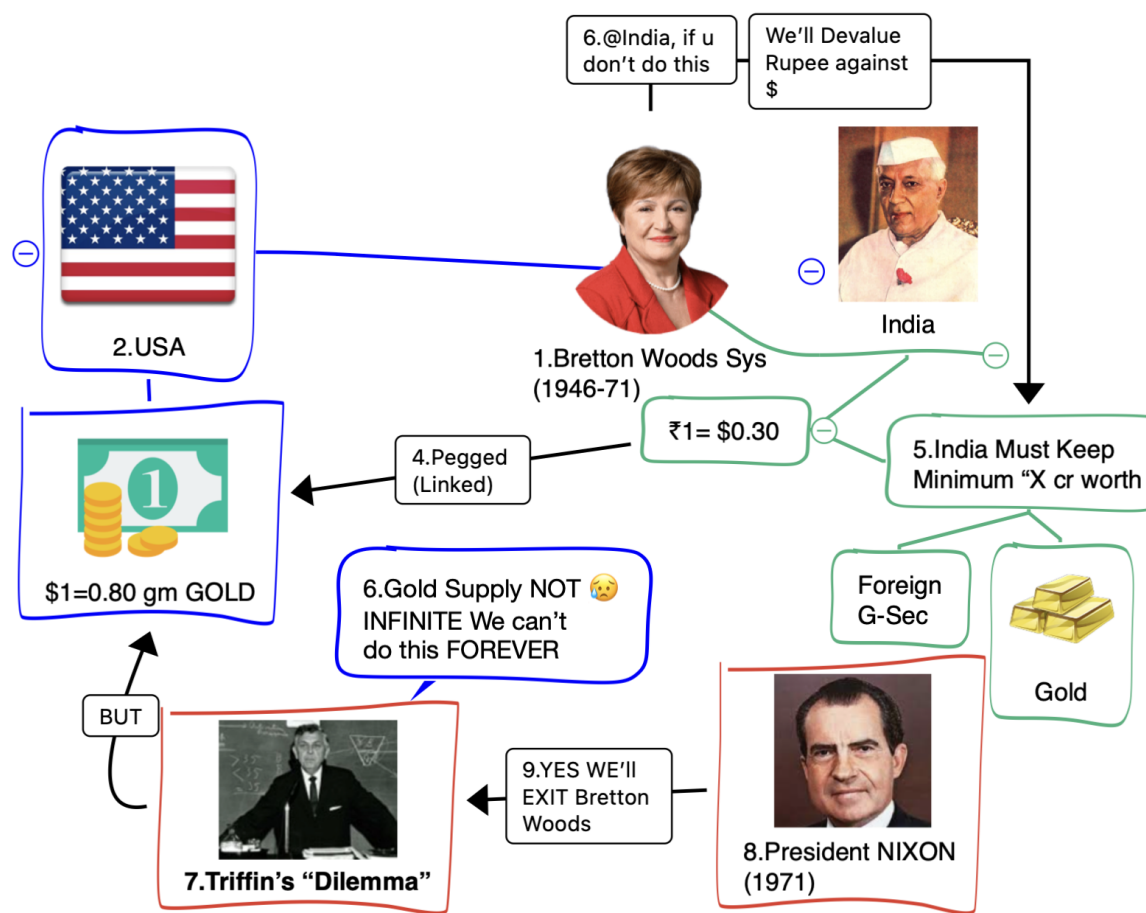
32.4.1 💵🔨🧑‍🦰 Fixed exchange rate system → Gold Standard; सोने के मानक/ स्वर्णमान (1870-1914)



- **Gold Standard:** USA issued \$1 for 14g gold, UK issued £1 for 73g gold
- It was easy to calculate currency exchange on the ratio of gold I.e. 1 Pound = ~5 USD.
- **Gold Conversion:** Central Banks guaranteed conversion of paper currency into gold coins/biscuits.
- **Bimetallism:** Nations adopted dual backing (gold/silver) when gold mining declined.
- **Collapse:** Gold standard ended during WW1 due to governments printing more money than gold reserves allowed, to finance war expenses.

32.4.2 💵🔨🧑‍🦰 Fixed exchange rate system → Bretton Woods System (1946-1971)

- ⇒ Here, IMF linked price of dollar to gold. \$1 = 1/35 ounces of gold; \$35 could be exchanged for 1 ounce of gold at the USA Federal Reserve.
- ⇒ Other Currencies were pegged linked to the US dollar; e.g., ₹1 = \$0.30 = ~0.24g gold. If India printed excess currency, then IMF-enforced devaluation.
- ⇒ **Triffin Dilemma:** USA Economist Robert Triffin predicted collapse of this system, due to limited gold supply and rising gold prices.
- ⇒ **End of Gold Standard:** In 1971, President Nixon ended the gold convertibility system to print more dollars for Cold War expenses.
- ⇒ **Floating Exchange:** USA and other nations shifted to floating/managed-floating systems.
- ⇒ **Dollarization:** In 2000, Ecuador adopted the US dollar as its official currency.



32.4.3 Currency Exchange in India

We need not waste time looking at what was the system in India before 1995.

But for reference of non-UPSC Exams:

Towards Fixed Exchange Rate: निश्चित विनिमय दर की ओर →

- 1860 onwards: **Fixed Fiduciary System**. i.e. British Indian Govt can issue Rs.10 crore notes on fiduciary ("trust") backed by G-Sec. Beyond that every note must be backed by gold / silver. British govt fixed exchange rate between Rupee currency with Pound.
- 1923: **Dr. Bhimrao Ambedkar's** doctoral thesis "The Problem of the Rupee" analyzed the economic consequences of the British colonial government's policies on the Indian currency. He argued the exchange rate between the Indian rupee & the British pound was unfavorable to India.
- 1935 onwards: **Proportional Reserve**. RBI must keep ~40% gold to the value of currency issued.
- 1946 onwards: **Bretton Woods / IMF** system of fixed exchange rate. Wherein ₹ price was fixed (pegged) against dollar, and dollar price was fixed (pegged) against gold.
- 1956 onwards: While RBI could issue any amount of Indian currency but that has to be balanced by the Assets of the issue department (Recall Mo). Of course, if RBI printed too much currency backed by only Indian G-sec but (without adequate Gold / Forex Reserve, then IMF may force ₹



devaluation against Dollar). So, we adopted “**Minimum Reserve System**” i.e. RBI must keep ₹ 400 crore of foreign currency/security + ₹ ‘x’ crore worth gold.

Towards Managed Floating Exchange Rate →

- ✓ 1995 onwards: “Minimum Reserve System; न्यूनतम आरक्षित प्रणाली” is continued but RBI is required to only keep ₹ ‘x’ crores of gold. No compulsion for RBI to keep additional 400 crore worth foreign currency or foreign securities. RBI can print as much currency it wants as long as its balanced by the Assets of Issue Dept. (such as Indian G-sec, Foreign Securities, Gold etc.)

Minimum Reserve system	Managed Float system
How much money [M0] can RBI generate?	How will currency exchange rate decided?
RBI कितना पेसा छाप सकती है, उससे जुड़ा हुआ concept है	मुद्रा विनिमय दर कैसे तय होता है? उससे जुड़ा हुआ concept है

32.4.4 🌈 Liberalisation of currency exchange (मुद्रा विनिमय में उदारीकरण)

To address the 1991's balance of payment crisis- following currency exchange system reforms done:

Year	⇒ Event
1991-July	⇒ RBI (Govt)^^ officially devalued Indian rupee against dollar by 18–19% ⇒ रुपये का अवमूल्यन किया गया/ डॉलर के मुकाबले कमजोर किया गया।
1992	⇒ Dual exchange rate regime. Importers can buy 1) some dollars at free-market rate and 2) some dollars at RBI determined fixed exchange rate. (दोहरी विनिमय नीति)
1993	⇒ India officially moved from “Fixed” to ‘Managed float exchange rate’ regime. In other words, 1992’s ‘dual exchange rate’ regime was discontinued, so this new system also called ‘unified the exchange rate’ because there is single exchange rate. (एकल विनिमय नीति)
Result	⇒ India’s exports improved with weakening of rupee. भारतीय रुपए के अवमूल्यन/कमजोर होने से, भारत के निर्यात में वृद्धि हुई

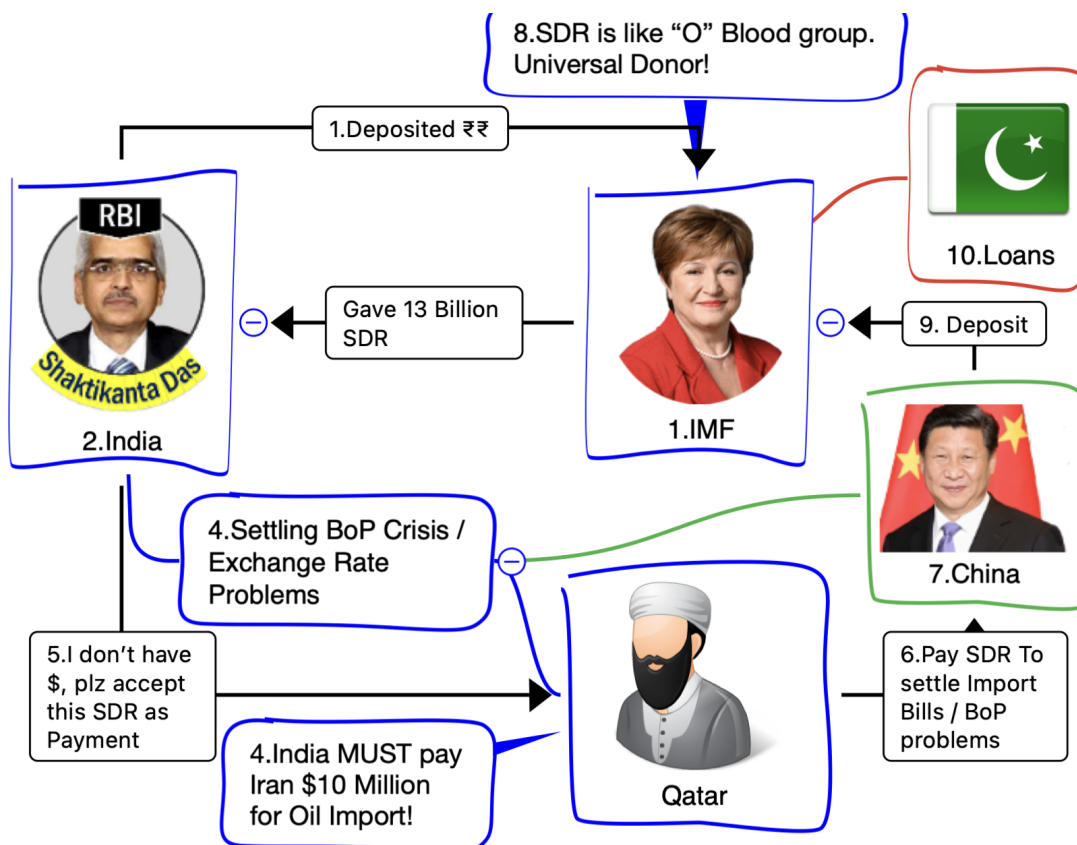
^^ 🧐 FAQ: isn't it the role of RBI to do this? Why have you written government? Ans. Yes, RBI's role. But when UPSC examiners make MCQs related to devaluation, they use the word RBI/Govt interchangeably- as evident from the PYQs and official answerkeys related to this topic

📖 MCQ. Assertion (A) : The rate of growth of India's exports has shown an appreciable increase after 1991. Reason (R) : The Govt. of India has resorted to devaluation. [Prelims-2000]

- (a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false (d) A is false but R is true



32.5 IMF SPECIAL DRAWING RIGHTS (SDR: विशेष आहरण अधिकार)



After the collapse of Bretton Woods Exchange Rate System, IMF was converted into a type of 'deposit bank', where the members would deposit currencies in the proportion of quotas allotted to them (depending on size of their economy, openness etc).

- IMF will pay them a small interest rate for their deposits. And IMF would lend this money to a member facing balance of payment crisis. To operationalize this mechanism, IMF would allot an artificial currency / accounting unit called SDR to the members based on their deposits. (सभ्य देश द्वारा जमा की गयी राशि के सामने उसे एक कृत्रिम मुद्रा / लेखा इकाई दी जाती है, जिसे एसडीआर कहते हैं)
- Initially the price of SDR was fixed against the amount of gold but present mechanism:

Currency Basket	Weight	Exchange rate against \$?
U.S. Dollar	43.38%	\$1=\$1
Euro	29.31%	1.13
Chinese Yuan (Renminbi *added in 2015)	12.28%	6.7
Japanese Yen	7.59%	And so on
Pound Sterling	8.09	And so on

- By applying a formula involving (weight * exchange rate), IMF will obtain value of 1 SDR = how many dollars? Presently, 1 SDR = \$1.40 = ₹ 98 (assuming \$1 is trading @ ₹ 70).
- SDR is called '**Paper Gold**' because it's merely an accounting entry or artificial currency, without any gold involved. (इसकी पीछे कोई स्वर्ण नहीं है, केवल एक हिसाब किताब की एक प्रक्रिया है)



- SDR can be traded among the members, it can be converted into members' currencies as per above method & be used to settle their Balance of Payment Transactions / Crisis.
- If the BoP crisis is so big, that a country's entire SDR quota exhausts, then member country may borrow more SDR from IMF (and then convert it into dollar etc to pay off the import bill), but eventually member will have to repay this loan to IMF with interest.
- Individual nations' central Banks keep some of the SDR as **Reserve Tranche Position (RTP)**:

What that means and how does that work is not important. #थोड़ा-पढ़ो-आगे-बढ़ो

FAQ/MORAL Outrage: Why Indian Rupee currency is not in SDR formula?

- ⇒ ANS. IMF reviews the SDR formula's currencies every five years -with two conditions
- ⇒ [A] Country must be among the Top exporter Nations.
- ⇒ [B] Country's currency need to be "freely usable" (= capital account convertibility rules shd be easy/liberal.).

32.5.1 IMF SDR Formula weightage reforms 2022

	🌸 Latest weighting	🌸 Previous weighting
U.S. Dollar	43.38% ↑	41.73%
Euro	29.31%	30.93%
Chinese Yuan (Renminbi *added in 2015)	12.28% ↑	10.92%
Japanese Yen	7.59%	8.33%
Pound Sterling	7.44%	8.09%
Total	100%	100%

Reason for reform: IMF directors felt this reform was needed based on international trade and financial market developments from 2017 to 2021.

32.5.2 IMF Quota Reform

- **2016:** The total SDR increased, and India's quota was increased from 2.44% to 2.76%
- India is 8th largest quota holder after USA (~18%), Japan (~7%), China (~6%)... India (2.76%)
- **2021:** IMF members approved adding extra \$650 billion dollars worth of SDR to IMF. India's likely to get 2.76% of 650 billion = Approx. 17to18 billion dollars worth of SDR.

32.5.3 IMF Governors

- In IMF, a member's voting power depends on his SDR quota.
- For India, this voting power is exercised by India's **Finance Minister – who acts as the ex-officio Governor** in IMF's Board of Governors. (वित्त मंत्री होते हैं आईएमएफ के पदेन / पद के हिसाब से गवर्नर)
- If Finance Minister absent, then **RBI Governor** can vote as the **Alternate Governor** during the IMF's meetings. (वित्त मंत्री की गैरहाजरी में वैकल्पिक गवर्नर के रूप में रिज़र्व बैंक के गवर्नर वोट देने जा सकते हैं)

MCQ. Recently, which one of the following currencies has been proposed to be added to the basket of IMF's SDR? (UPSC-Pre-2016) (A) Russian Rouble (B) South African Rand (C) Rupee (D) Renminbi



32.6 💰👉👉 CURRENCY CONVERTIBILITY (मुद्रा परिवर्तनीयता)

- Presently, India has managed floating exchange rate system wherein, currency exchange rate is determined by the market forces of supply and demand, however, during high level of volatility RBI will intervene to buy / sell ₹ or \$ to stabilize the exchange rate.
- But if people are allowed to convert the local and foreign currency in an unrestricted manner → so much volatility that RBI will not be able to manage. (अमर्यादित रूप से लोगों को मुद्रा परिवर्तित करने दी तो विनिमय दर में इतनी भारी अस्थिरता होगी जिसे रिजर्व बैंक काबू नहीं कर पाएगा 😬)

So, RBI puts certain restrictions on the convertibility of Indian rupee to foreign currency using the powers conferred under

- Foreign Exchange Regulation Act, 1973 (FERA: विदेशी मुद्रा विनियमन अधिनियम)
- FERA was later replaced by Foreign Exchange Management Act, 1999 (FEMA: पुराने कानून में मज़ा नहीं आ रहा था तो सरकार ने नया कानून बनाया- विदेशी मुद्रा प्रबंधन अधिनियम)



32.6.1 💰👉👉 RBI restriction on convertibility of rupee: पूंजी खाता लेनदेन पर रुपये की परिवर्तनीयता

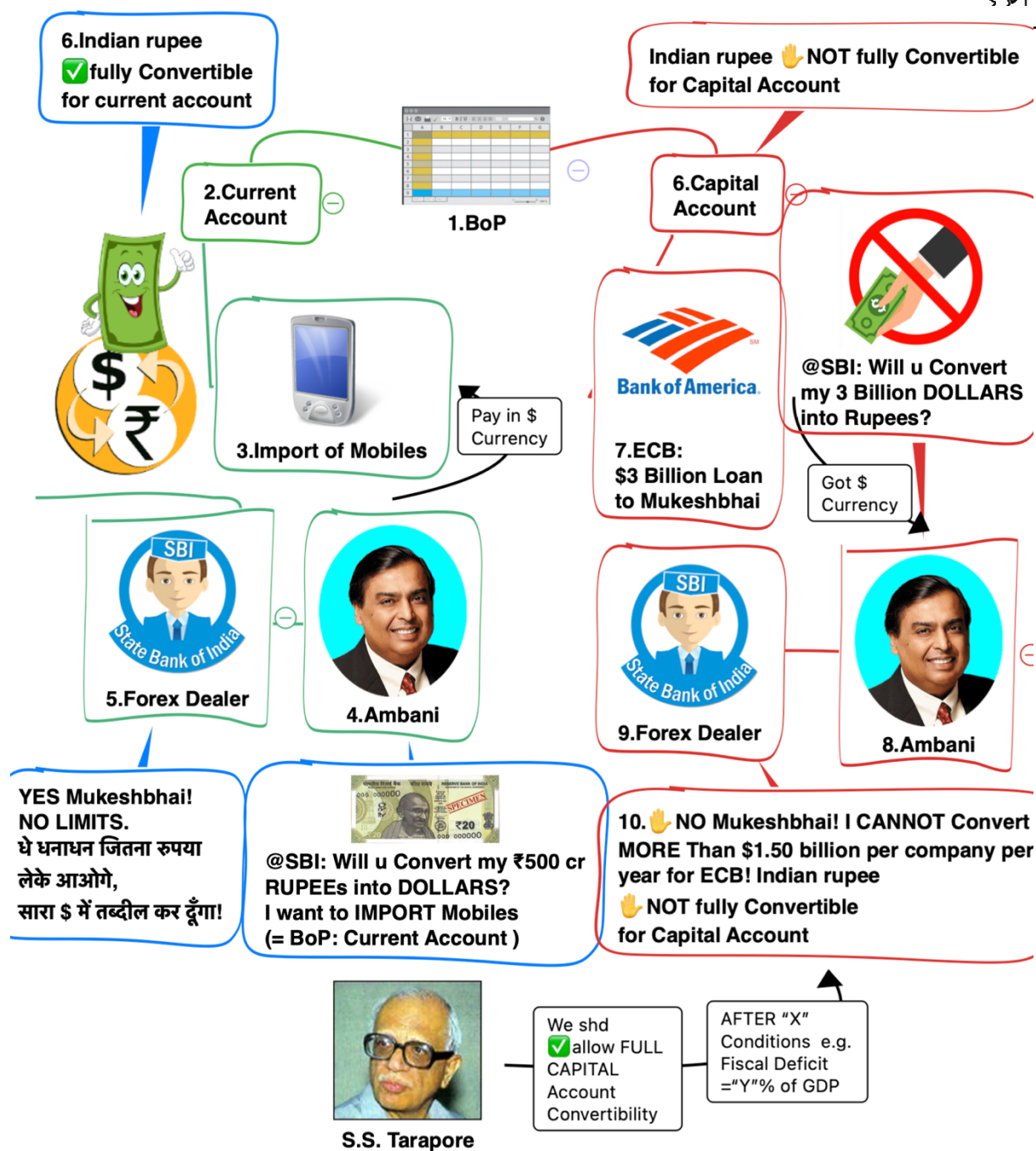
32.6.2 💰👉👉 BoP → Capital Account restrictions → External commercial borrowing (ECB)

- RBI's ECB ceiling is up to \$1.50 billion (or equivalent other currency) per year for Indian Companies. [बाहरी वाणिज्यिक उधार: भारतीय कंपनियां प्रतिवर्ष इस माला से ज्यादा कर्ज विदेशों से नहीं ला सकती]
- That means even if Bank of America was willing to lend \$3 billion to Reliance Ltd, Mukesh Ambani can't bring all those dollars (or its converted rupee equivalent) in India.
- If he tries through illegal methods like Hawala, then Enforcement Directorate (ED प्रवर्तन निर्देशालय) will take action for FEMA violation.

32.6.3 💰👉👉 BoP → Capital Account restrictions → Investment → FPI/FDI

- **FPI Limits:** Foreign Portfolio Investors (FPI) can't invest more than 5% in G-secs and 20% in corporate bonds in India. Thus, FPIs like Morgan Stanley can't bring unlimited money to India.
- **FDI Restrictions:** Government sets FDI policy; RBI controls currency conversion based on it. For example, foreign investment in casinos is prohibited.
- Thus Indian rupee is not fully convertible for capital account transactions, preventing unrestricted foreign investments.

32.7 💰👉👉 🏆 CONVERTIBILITY ON CURRENT ACCOUNT TRANSACTIONS: चालू खाता लेनदेन पर



32.7.1 BoP → Current account Restrictions → Trade → import (of Gold)

- ⇒ During 2013 to 2014, RBI's 80:20 norms mandated min.20% of the imported gold must be exported back.
- ⇒ Until then Jeweller/bullion dealers will not get permission to (convert their rupees into dollars/foreign currency) to import next consignment of gold.
- ⇒ However, if we disregard such few rare examples/restriction, **Indian rupee is considered fully convertible on current account** transactions (i.e. Import and export, remittance, income transfer gift and donations) since 1994. चालू खाता लेनदेन पर रुपये की परिवर्तनीयता सम्पूर्ण है।



32.7.2 ₹👉👉 Full convertibility of Rupee : रुपये की पूर्ण परिवर्तनीयता?

Meaning? India should permit unrestricted conversion of Indian ₹ to foreign currency for both current account and capital account transactions. → more FDI investment in India → NPA problem solved, new factories, jobs, GDP growth, rivers of honey and milk will flow.

👎 Anti-Arguments:

- ✖ Before 1997, East Asian “Tiger” economies: (South Korea, Indonesia, Malaysia, Thailand, Vietnam Philippines etc.) allowed full capital account convertibility to attract FDI.
- ✖ But 1997: Their automobile & steel companies filed bankruptcy → The foreign investors panicked, sold their shares and bonds → got local currency → converted into \$ and ran away. The flight of this ‘HOT MONEY’ resulted into extreme depreciation of local currency \$1 = 2000 Indonesian Rupiah → \$1 = 18,000 Indonesian Rupiah → heavy inflation in petrol diesel → social unrest, riots and political instability. None of their central banks had enough forex reserve to combat this crisis. (यदि भारत में इसकी अनुमति दी तो दक्षिण कोरिया और इंडोनेशिया जैसी समस्या हो सकती है)
- ✖ So, in 1998, their GDP growth rates fell in negative territory e.g. Indonesia (-13.7%) Because of their mistake of allowing full currency convertibility. Whereas India and China grew at 6-8% because we had not allowed it.

32.7.3 ₹👉👉 ₹👉👉 Convertibility → S.S. Tarapore Committee (1997)

He suggested India to allow full Capital Account Convertibility (CAC) only when the fundamentals of our economy become strong enough, such as: (तारापुर समिति के हिसाब से यदि भारतीय अर्थतंत्र की बुनियाद एकदम मजबूत हो जाए तो पूर्ण परिवर्तनीयता अनुमति की देनी चाहिए)

- ⇒ RBI must have enough forex to sustain 6 months’ import
- ⇒ Fiscal deficit must not be more than 3.5% of GDP
- ⇒ Inflation must not be more than 3-5%
- ⇒ Banks’ NPA must not be more than 5% of their total assets. And so forth. So, time is not yet ripe for allowing full CAC.

MCQ. Convertibility of rupee implies:(Pre-2015) (a) being able to convert rupee notes into gold. (b) Value of rupee to be fixed by market forces. (c) freely permitting the conversion of rupee to other currencies and vice versa. (d) developing an international market for currencies in India.

32.7.4 ₹👉👉 ₹👉👉 Convertibility → RBI reforms (2004-2019)

While RBI has not permitted full convertibility of Indian rupee (on Capital Account), but over the years it has liberalised the norms, such as (पूर्ण रूप से छूट तो नहीं दी, लेकिन उदारीकरण सरलीकरण किया है)

- ⇒ **2004 → Liberalised Remittance Scheme** (LRS: उदारीकृत विप्रेषण योजना) for each financial year, An Indian resident (incl. minor) is allowed to take out upto \$2,50,000 (or its equivalents in other currencies) from India.
- ⇒ He may use it for either current account or capital account transaction as per his wish. (e.g.



paying for college fees abroad, buying shares, bonds, properties, bank accounts abroad.)

⇒ 🤖 **Controversy?** Panama papers allege certain Bollywood celebrities used LRS window to shift money from India in their shell companies in tax havens → later used those shell companies for tax avoidance. [Ref: Black Money Handout for more]

⇒ 2016 onwards: RBI began relaxing the norms for External Commercial Borrowing (ECB),

	Before-2016	2016 onwards	2022 onwards
ECB limit →	more strict	relaxed to \$750 million per company per year.	\$1.50 billion per company per year.

(👉 Although ECB is prohibited in certain categories e.g. purchase of farm house, tobacco, betting, gambling, lottery etc. कुछ क्षेत्रों में विदेशी कर्ज लेने की मनाई)

32.7.5 💰👉🐯 **FEMA Rules for Indian resident's overseas investment (2022-Aug)**

- ⇒ No Indian resident can invest in foreign companies who are doing gambling biz or real estate biz.
- ⇒ Wilful defaulters need to get a No Objection Certificate (NOC) from Indian authorities (RBI, ED etc) before making any 'financial commitment' abroad (e.g. taking new loan from USA)
- ⇒ plus many other technical things but not very IMP for Exam.

32.7.6 🇮🇳 **(Prepaid) Forex Card?**

- Forex cards are prepaid cards. You first give rupee currency to Bank/NBFC → they'll topup/fill foreign currency inside a card.
- e.g. HDFC Hajj Umrah Card (Saudi Riyal Currency) pay Rs.2.65 lakh to HDFC to get Prepaid Forex card worth 12000 Saudi Riyal balance.
- need not carry physical foreign currency to Saudi. Swipe the card for shopping in Saudi.



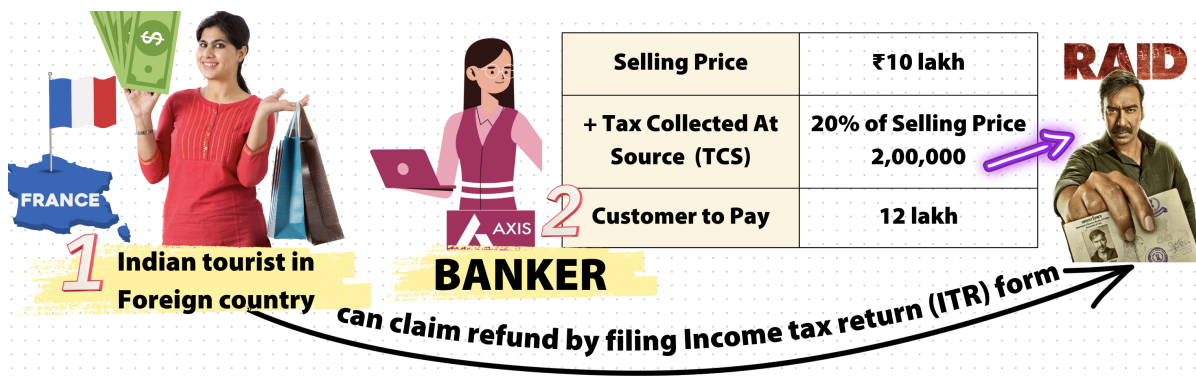
32.7.7 💰👉 **ZERO Forex Cards**

- Normally, bank/NBFC charge 3–5% fees on transaction on the Forex Cards.



- But, some new-age Financial Technology companies (FinTech) e.g. Niyo Global - have tied up with bankers to issue forex cards at 0% fees.
- These are called “Zero Forex Cards”

32.8 🍌 🇮🇳 🛍️ 🏠 LRS: TCS ON FOREIGN: TRIP / SHOPPING / INVESTMENT (2023-OCT)



- ⇒ Under the RBI's LRS scheme, an individual can remit up to USD 2.5 lakh annually overseas without approval of the RBI. (2.50 lakh Dollars= 2.07 crore Rupees; when 1Dollar=83Rs)
- ⇒ Remittances beyond the USD 2.5 lakh or its equivalent in foreign currency require approval from the RBI.
- ⇒ If Indian resident spending money abroad, his banker/NBFC/Forex supplier in India is required to collect TCS in following rates:

Foreign Payment Method	Credit Card	Debit Card/ Forex Card/ Bank-transfer
TCS applicable	No. Money spent via credit card is not counted under LRS quota	Yes. Rates given below in next table: 🙌

32.8.1 🍌 TCS Rates from 1/October/2023

Type of transaction	upto ₹7 lakh	beyond ₹7 L
Foreign tour package, foreign shopping	5%	20%
overseas investments in foreign companies' shares, bonds, real estate etc.	0%	20%
Education / medical treatment	0%	5%
Any other purpose e.g. donation, pilgrimage, gifting etc.	0%	20%

- ⇒ Note: there are many terms-conditions here e.g. medical trip ke liye separate rules, education loans ke liye separate TCS rules but we're not for Chartered Accountant exam, basic is enough.

32.8.2 🍌 TCS on LRS: Objectives

- ⇒ Discourage Indians from too much shopping abroad (because more foreign shopping = higher CAD= not good for BoP/ exchange rate stability).
- ⇒ Data surveillance on Tax evaders.



⇒ Note: TCS is not additional tax. - it is adjusted against the income tax liability- just like TDS.
(Ref: Pillar#2A1 for more)

32.8.3 FCRA Act

Sr	MATTER	RULES/LAWS APPLICABLE →
1	is Indian sending money abroad for current account or capital account transactions?	Yes → FEMA Act → LRS (liberalized remittance scheme)
2	is foreign money coming to India for Indian export earning payment, FDI/FPI/ECB loans etc ?	Yes → FEMA Act
3	is foreign money coming to India for matters other than cell#2. e.g. donation, remittance to India etc.	Yes → FCRA Act

32.8.4 FCRA on donations

- 1) Foreign Contribution Regulation Act 2010 (FCRA -विदेशी अंशदान विनियमन अधिनियम).
- 2) if NGO (Non-Governmental Organization) / Universities were allowed to accept foreign donations in an unrestricted manner, they may become puppets of ISI / Pakistan / China / CIA.
- 3) So, Ministry of Home Affairs (MHA) requires them to 'register' and furnish annual reports.
- 4) Organizations who fail to comply with it, are prohibited from accepting foreign donations.
(भारत में काम कर रहे समाजसेवी संस्थान/ यूनिवर्सिटी इत्यादि अगर विदेशों से चंदा लेते हैं तो उन्होंने गृह मंत्रालय से पंजीकरण करवाना होता है और सालाना रिपोर्ट जमा करने होते हैं.)

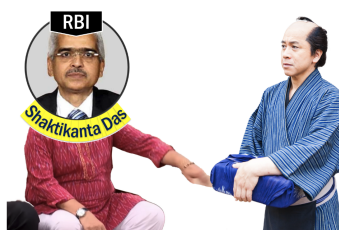
32.8.5 FCRA on remittance

	BEFORE	After 2022-reform
How much money can Indian receive from his relatives abroad without informing the authorities.	₹1 lakh	₹10 lakhs

Benefit? Ease of receiving foreign money without legal-paper-work → more \$ to India → prevents rupee weakening. (बिना सरकार को सूचित किए सालाना 10 लाख रुपये विदेश से रिश्तेदारों से मँगवा सकते हैं.)

32.9 RBI'S CURRENCY SWAPS/ FX-SWAP (मुद्रा स्वैप/अदलाबदली समझौता)

1. i'll give u dollars from my forex reserve, IF u've get into crisis.
2. but later u've to return it with "X" Terms & conditions



i'll do the same for you!

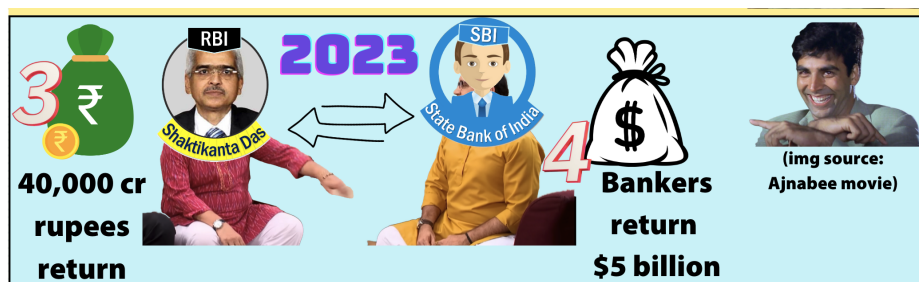
32.9.1 RBI's Currency Swap Agreement with Japan (मुद्रा स्वैप/अदलाबदली समझौता)

e.g. Central banks of India and Japan signed Currency Swap Agreement of \$75 billions i.e. either party can use that much dollar currency from other party's forex reserve during the crisis.



32.9.2 🐼 RBI Currency Swap with Indian Bankers

2022-March: RBI done \$5 bn dollar-swap with Indian Bank/NBFCs to ↑ dollar supply in Indian market, to prevent weakening of Rupee.





⇒ FAQ: will this change in money supply - not cause XYZ problem- in inflation, loan interest rate etc? Ans. look at one photo frame at a time. Do not make Birbal Khichdi unnecessarily.

32.9.3 💰 Currency Exchange Rate → Attracting Dollars: VRR and FAR

- Voluntary Retention Route (VRR: : स्वैच्छिक अवधारण मार्ग) and Fully Accessible Route (FAR: सम्पूर्णतः सुगम्य मार्ग) are technical rules / systems of RBI to encourage foreigners to buy Indian companies' Bonds and Indian Govt's G-Sec. how exactly they work? Ans. Technical stuff, NOT IMP for Exam. Just accept and move to next topic.

32.9.4 🐯 RBI-Govt's measures to prevent fall of Rupee (2022-Jul-Aug)

- ⇒ 🐯 RBI Exempts Foreigners' deposits in Indian bank from CRR and SLR. This will encourage bankers to offer attractive deposit interest rates to such clients → ↑ dollar flow → stable rupee / prevent weakening of rupee (in the aftermath of US Fed Tapering). How? Ref this Video for more: <https://youtu.be/KoiXkAreWoA> (विदेशीयो के दूधत खातों पे भारतीय बैंको ने सीआरआर व एसएलआर नहि निभाना होगा। ताकि उन खातों पर भारतीय बैंकर विदेशी व्यक्ति को ज़्यादा ब्याज-दर दे सके और विदेशी लोग आकर्षित होकर ढेर सारा विदेशी धन भारत में लेकर आए।)
- ⇒ 🐯 (2) RBI increased with the limit of external commercial borrowings (ECB) from present 750 million dollars to to \$1.5 billion per financial year.
- ⇒ 🐯 (3) RBI relax to the guidelines related to FPI investment in G-Sec and Bonds.
- ⇒ 🐯 Govt: Foreign Contribution (Regulation) Act, 2010's donation limits amended allowing Indians to receive upto 10 lakh a year from their relatives abroad without informing the authorities. (The previous limit was 1 lakh) (बिना सरकार को सूचित किए सालाना 10 लाख रुपये तक की रकम विदेश में रहते अपने रिश्तेदारों से आप मँगवा सकते हैं)
- ⇒ 🐯 Govt: Customs duty on gold hiked to 12.5 per cent from 7.5 per cent to discourage imports.

MCQ. Find correct statements : (UPSC-CDS-2024-2)

- 1. A rupee Vostro account is an account that an Indian bank holds for a foreign bank in the domestic currency (rupee) to enable domestic banks to provide international banking services.
- 2. Insurance density, i.e., average insurance premium per capita does not fully capture the financing gap in the event of a premature death because most of the insurance products sold in India are savings-linked with a small component of protection. (Ref: Pillar#1D-insurance)

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

32.9.5 Nostro Vostro Accounts- settlements with Russia and SriLanka



⇒ Picture is worth 1000 words. What it means? Explained in video.

⇒ India has begun utilising such accounts for doing import from Russia, SriLanka, Malaysia etc.

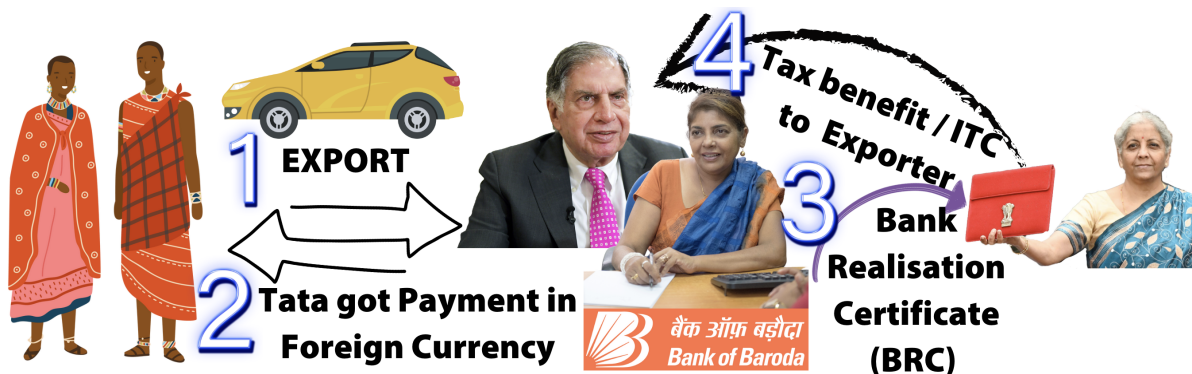
32.9.6 Special Rupee Vostro Account (SRVA)

⇒ Water's name is H₂O. We have already studied this in above section.

32.9.7 💰 Rupee Rouble Agreement

Similar to above thing- we import oil from Iran, but instead of paying in dollars, we pay them in Rupee currency thru their Irani oil companies' bank accounts in India.

32.9.8 → Bank Docx ☑ E-BRC/ Bank Realisation Certificate (BRC) for exporters



⇒ BRC is documents that shows rate at which foreign currency is converted into the Indian rupee.

⇒ BRC is mandatory for exporters for applying for tax benefit / duty reimbursement for various schemes which we learnt under Foreign Trade Policy.

⇒ If the BRCs are issued electronically → faster tax benefits to exporters.

⇒ So, RBI & Commerce ministry are working with the help of bankers towards Electronic Bank Realisation Certificate (E-BRC)



32.9.9 🏦 Bank Docx → Foreign Inward Remittance Certificate (FIRC) for recipients

- ⇒ FIRC is a document that provides proof that an individual / company, who has received payment in foreign currency from outside the country.
- ⇒ FIRC are issued by authorised dealers (AD = Bank/NBFC), who provide currency exchange service to their clients. (हमने अपने क्लाइंट को इतनी विदेशी मुद्रा परिवर्तित करके दी है ऐसा प्रमाण पत्र।)
- ⇒ FIRC helps RBI, Tax officials, ED etc to combat money laundering, and other illegal activities.
- ⇒ 2016 onwards these certificates are issued digitally, called electronic FIRC (e-FIRC).
- ⇒ 🧐 **FAQ: similarity and difference between BRC vs FIRC = Notimp.**

32.9.10 📡💰 Bharat Connect - FX-Retail platform

platform	Bharat Connect	FX-Retail (2019)
developer	NPCi (Ref: Pillar#1A1)	Clearing Corporation of India Limited (CCIL)
objective	electricity bill, gas bill, etc . Previously called Bharat Bill Payment	to help banks' clients to buy and sell foreign exchange. e.g. Axis, HDFC etc.

2024: RBI proposed to link both platforms to help individuals and MSME to buy forex easily.

32.9.11 🌐 Internationalisation of Indian rupee (भारतीय रुपये का अंतरराष्ट्रीयकरण)

CURRENCY	SHARE IN GLOBAL FOREX RESERVES AS PER 📊 ES23
US dollar (USD)	88%
Indian rupee (INR)	1.6%
Minimum % required to be called 'international currency'	4% (as per 📊 ES23) (अलग-अलग देशों के केंद्रीय बैंक के फॉरेक्स आपूर्ति भंडारों में, जब न्यूनतम/कम से कम 4% जतथा भारतीय रुपए का होगा- तब भारतीय मुद्रा का अंतरराष्ट्रीय करण हो चुका है ऐसा माना जाएगा।)

Internationalization means increasing the use of Rupee for current & capital transactions, and in forex reserve of other nations. (चालू खाते पूंजी खाते, व अन्य देशों के फॉरेक्स भंडारों में रुपए का चलन बढ़ाना)

😄 Benefit (फ़ायदे)	😞 Challenges (चुनौतियां)
reduces the dependence of dollars & currency exchange rate volatility (डॉलर पर निर्भरता तथा विनिमय दर की अस्थिरता कम करेगा)	India does not have enough export products that attract Russians. So, once Ukraine war is over, Russians will not do such deals. India need to increase Quality and variety of its exports. [रुसियों को पसंद है ऐसी बहुत सारी चीज़ें भारत बनाता नहीं इसलिए यूक्रेन युद्ध खत्म होने के बाद हो सकता है रूसी हमारे साथ ऐसा समझौता रद्द कर दे]
reduces the danger of "imported inflation" that happened with expensive dollar → expensive petrol. (डॉलर महंगा होने पर भारत में पेट्रोल महंगा हो जाता है उस आयातित महंगाई के खतरे को कम करेगा)	if Russian Exporter uses his rupee payment to invest in Indian share market....but when/IF he suddenly quits by panic-selling those shares, it'll crash Indian sharemarket. [रूसी निर्यातक जिसे भारतीय रुपये में पैसा मिला है वह उन्हें रुपयों को भारतीय शेयर बाज़ार में निवेश करेगा। लेकिन जब एक दिन वो अचानक से उन शेयर्स को पानी के भाव बैच के भाग जाएगा, तब भारतीय शेयर बाज़ार गिर सकता है]
reduces India's vulnerability to global-shocks like US Fed	Increases India's vulnerability to how Russian/Sri Lankan, Non-Indian exporters/investors react to such global



😊 Benefit (फ़ायदे)	😬 Challenges (चुनौतियाँ)
Tapering/ Taper Tantrum (अमेरिकी फेड टैपरिंग जैसी वैश्विक घटनाओं में भारत की भैद्यता को कम करेगा)	situations. (विदेशी निर्यातक जिन्हें भारतीय रुपया में पैसा मिला है वह वैश्विक घटनाओं पर कैसे वर्तन करते हैं उस पर भारत की भैद्यता बढ़ेगी)

😊 Some more benefits?

- ⇒ 😊 makes it easier for India to trade with countries that are banned by USA and western powers / SWIFT messaging system e.g. Russia, Iran. [अमेरिकी और पश्चिमी महासत्ताओं ने रूस ईरान जैसे देशों पर जो पाबंदियां लगायी है उसके बावजूद भी भारत उन बहिष्कृत देशों के साथ व्यापार आसानी से कर पाएगा।]
- ⇒ 😊 reduces the cost of doing business because Indian businessmen does not have to pay fees/commission to forex agent for converting rupee currency into dollars. [विदेशी मुद्रा परिवर्तित करने वाले एजेंट को फ़ीस नहीं देनी होगी, इसलिए धंधा करने की लागत खर्च कम होगी]

👉 **Conclusion:** There are risks but they are unavoidable if India wants to be an 'Atma-Nirbhar' economic superpower.

32.9.12 💰🌐👊 Yuan as global currency?

- ⇒ 2015: Yuan added in SDR basket of currency. → It ↑ acceptance of Yuan in global economy.
- ⇒ China is also loaning Yuan to other nations for infra. development in One Belt One Road Initiative (OBOR: एक क्षेत्र एक मार्ग पहल), via AIIB and BRICS bank, and even via Panda Bonds.
- ⇒ In future, China may have to be less dependent on dollar\$ while importing oil, missiles, metal and food commodities- as other nations begin to happily accept Yuan.
- ⇒ Such Yuan dominance may pose strategic challenges to USA and India.

32.10 💰👍 DOLLARISATION - MEANING AND EXAMPLES



- ⇒ Dollarisation = non-USA nations accepting dollar as their legal tender.- e.g. Panama, Ecuador, El Salvador and Guatemala, Marshal Islands etc.
- ⇒ Euroization = Vatican and Monaco accept Euro as their legal tender, even though they're not members of EU union.
- ⇒ 2023: Argentina's new Prez. Javier Milei (an economist) advocating Dollarisation. Reason: High fiscal deficit → monetization of deficit (printing new currency) → Inflation 140% in Argentina.
- ⇒ To fight inflation → tight monetary policy → expensive loan interest rates in Argentina



32.10.1 💰✅ Dollarisation- Pros

Dollarisation improves budget discipline

1 **print more money to pay for my loans**



USA Federal Reserve

1. **populist schemes**
2. **REVDI**
3. **wasteful Expenditure**



Incumbent
Alberto Fernández
since 10 December 2019



Argentina
ki RBI

- ⇒ Domestic central bank cannot trade currency at whim. Monetization of the deficit not possible.
- ⇒ Little scope for Revdi / populist schemes to win elections. So, Automatic budgetary discipline / fiscal deficit controlled. → Inflation should get controlled automatically.

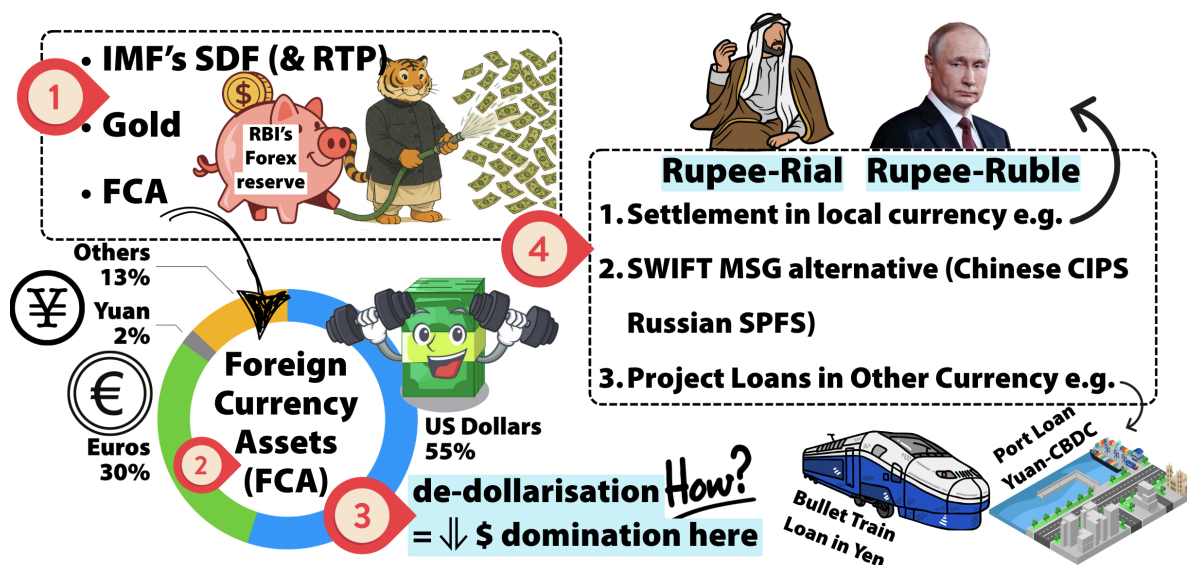
32.10.2 💰✅ Dollarisation- Cons

- ⇒ Supply of money and interest depends on actions of USA.
- ⇒ Domestic Central Bank loses the monetary sovereignty / independence.
- ⇒ Domestic central bank cannot act as bankers' bank, lender of last resort.

32.10.3 💰✅ Dollarisation- suitable for what type of nations?

- ⇒ Suitable for (1) Small sized nation (e.g. Marshall Islands) (2) nations with huge exports to USA who can earn dollars. (3) nations with large number of migrant workers sent USA to earn remittance (e.g. Ecuador)
- ⇒ Argentina is a big nation population wise. It will need \$40 billion - even to start this experiment.

32.11 💰💪 DOLLAR- GLOBAL CURRENCY & "DE-DOLLARIZATION"? (वैश्विक-आरक्षित-मुद्रा)



- ⇒ Foreign exchange reserves of 150 nations- internal composition is: 55% US dollars, 30% euros, 2% Yuan (Renminbi, Chinese currency) and 13% Misc. other currencies. That shows majority of



the nations keep large % of their forex reserve in US dollar. विश्व के ज्यादातर देशों के विदेशी आरक्षित निधि कोष में बहुतायत रूप से डॉलर मुद्रा में इन पैसों को रखा जाता है।

⇒ Thus US dollar is presently the “Global Reserve Currency”. (डॉलर को वैश्विक-आरक्षित-मुद्रा माना जाता है।)

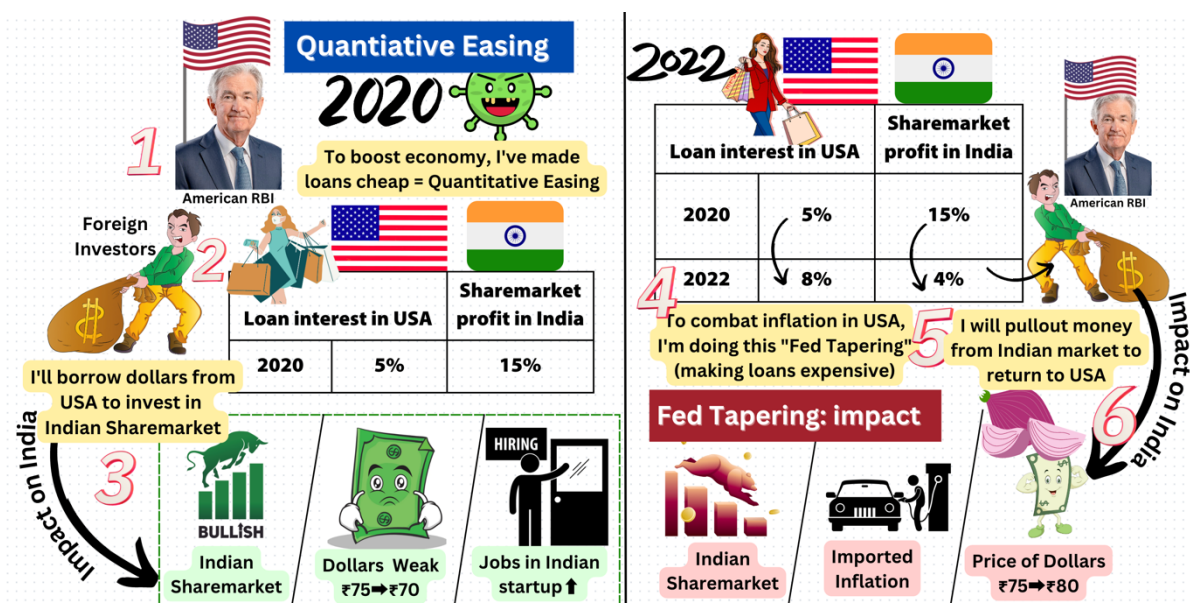
⇒ “de-dollarisation” = Attempts to the domination of \$ in forex reserve and in international transactions. e.g. 2021: Russian Central Bank reduced dollar-denominated assets to 16% in its forex reserve. (विदेशी मुद्रा भंडार में तथा अंतर्राष्ट्रीय लेनदेन में अमरीकी डॉलर का प्रभुत्व कम करना)

⇒ Can Indian rupee become global reserve currency? Ans. In a very long future yes if, India adopts full capital account convertibility, keeps inflation, fiscal deficit, currency exchange rates under control and becomes a sizeable exporter and global economic superpower. (रुपया-मुद्रा ऐसा दर्जा हासिल करेंगी जब यदि पूँजी-खाते में संपूर्ण रूप से परिवर्तनीयता दी जाए, महँगाई क्राबू में रहे, राजकोषीय घाटा क्राबू में रहे, मुद्रा विनिमय दर क्राबू में रहे, और भारत एक बड़ा निर्यातक और आर्थिक महासत्ता बनकर दिखाए- तो फिर ऐसा हो सकता है।)

32.11.1 De-dollarisation: BRICS vs Trump's threat vs India's clarification

- 2024-Oct: Russian President **Putin** proposed, “(i) BRICS should explore a SWIFT-like cross-border financial messaging system to become immune to Western sanctions. (ii) We should use our national digital currencies (CBDC) in giving loans to projects. This will end U.S. dollar dominance.” (Ref: Pillar#1A1 for more on CBDC/SWIFT)
- 2025-Jan: **Trump** threatened, “if BRICS nations try to replace or undermine the U.S. dollar, there will be severe consequences, including 100% tariffs/taxes on BRICS exports to USA.”
- 2025-March: Minister S. **Jaishankar** clarified, “India is not involved in any effort within BRICS to reduce reliance on the dollar. Undermining the US currency is not part of India's economic or strategic policy.”

32.12 MISC. CONCEPTS: QUANTITATIVE EASING AND FEDERAL TAPERING



⇒ 2007-08: Subprime crisis in USA → Borrowers unable to repay home loans → American Banks NBFCs' bad loans / NPA / toxic assets increased → to help them, US Federal Reserve printed

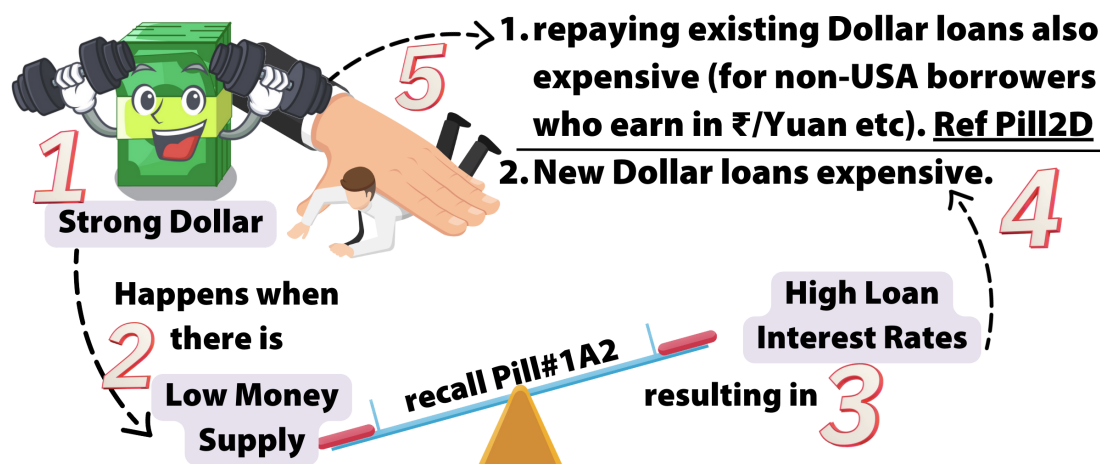


new dollars & used \$ to buy those toxic assets/bonds (also known as mortgage-backed securities (MBS) → ↑ dollar supply in the system. Known as “Quantitative Easing (मातात्मक आसानी)”.

- ⇒ 2013: **American Central Bank** (US Federal Reserve) gradually cut down its toxic asset purchasing program → less quantity of dollars issued → called “Fed Tapering (संघीय टेपिंग)”.
- ⇒ **Result?** (perceived) shortage of dollars in USA → Loans% become more expensive in USA → American investors began selling shares/bonds in other countries, and took their dollars back to USA (to lend to local businessmen). This phenomenon was called “Taper Tantrum”. It resulted into weakening of other currencies against USD. [गैर अमेरिकी देशों की मुद्राएं बहुत कमजोर हो गई थी]
- ⇒ 2020: During Corona, **American Central Bank** again started purchase of Bonds to increase money supply in market. (कोरोना में अर्थतंत्र को पुनर्जीवित करने के लिए वापस ये तमाशा शुरू किया था)
- ⇒ **Then what happened?** Is explained in above chart, also in Pillar1A2 (MonPolicy) and 1C

32.12.1 Strong dollars squeezes global credit

मजबूत डॉलर से वैश्विक कर्ज उपलब्धता को निचोड़ के रख देता है



MCQ. Statement I: A very strong US Dollar squeezes global credit. (UPSC-EPFO-2023)

Statement II: Many countries and companies outside America borrow in Dollars.

- (a) Both statement I and II are correct and statement II is the correct explanation for I
 (b) Both statement I and II are correct and statement II is not the correct explanation for statement I
 (c) Statement I is correct but II is incorrect (d) Statement I is incorrect but II is correct

MCQ. Find Correct Statements (Prelims-2022)

1. Tight monetary policy of US Federal Reserve could lead to capital flight.
2. Capital flight may increase the interest cost of firms with existing (ECBs).
3. Devaluation of domestic currency decreases the currency risk associated with ECBs.

Codes: (a) 1 and 2 only (b) 2 and 3 only. (c) 1 and 3 only. (d) 1, 2 and 3

MCQ. In India, which are contributors to reducing the risk of a currency crisis? (Prelims-2019)

- (1) The foreign currency earnings of India's IT sector. (2) Increasing the government expenditure. Remittances from Indians abroad.

Answer Codes: (a) 1 only (b) 1 and 3 only (c) 2 only (d) 1, 2 and 3 only



AB CD ? MCQ. Which one of the following is not the most likely measure the Government/RBI takes to stop the slide of Indian rupee? (Prelims-2019)

- Curbing imports of non-essential goods and promoting exports
- Encouraging Indian borrowers to issue rupee denominated Masala bonds
- Easing conditions relating to external commercial borrowing
- Following an expansionary monetary policy

AB CD ? MCQ. The price of any currency in international market is decided by: (Pre-2012)

- The World Bank.
- Demand for goods/services provided by the country concerned.
- Stability of the government of the concerned country. [उस देश में सरकार की स्थिरता]
- Economic potential of the country in question. [उस देश की आर्थिक क्षमता]

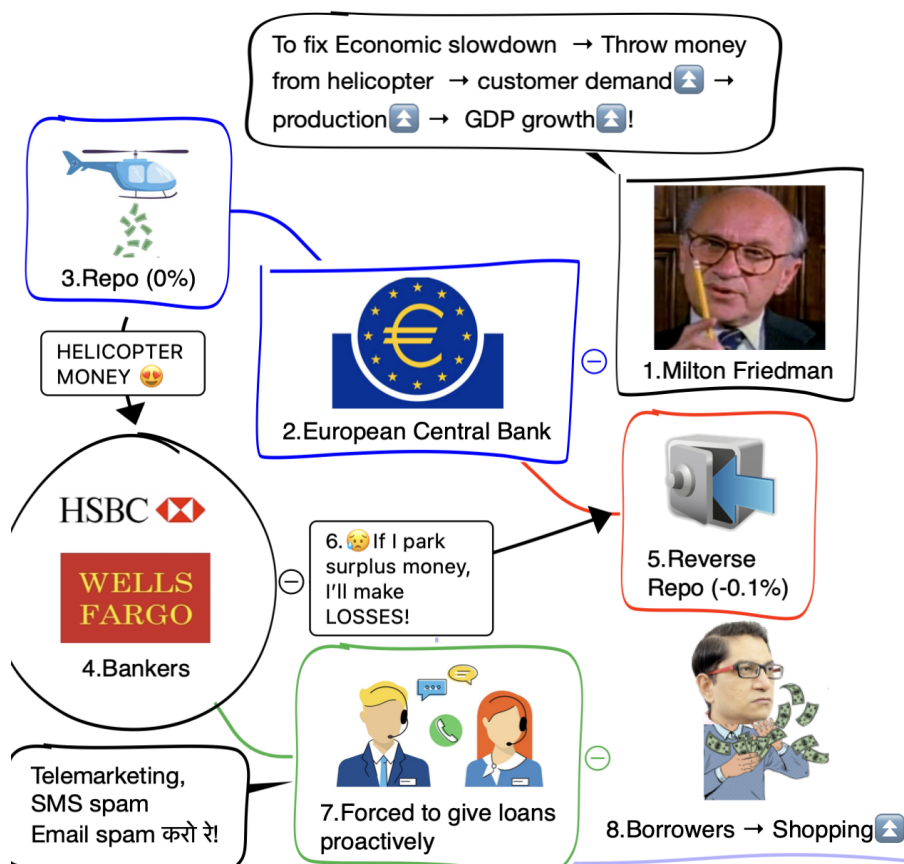
Answer codes: (a) 1, 2, 3 and 4 (b) 2 and 3 (c) 3 and 4 (d) 1 and 4

AB CD ? MCQ. If another global financial crisis happens in the near future, which of the following actions/policies are most likely to give some immunity to India? (Prelims-2020)

- Not depending on short-term foreign borrowings [लघु अवधि के विदेशी कर्ज पर निर्भर न रहा जाए]
- Opening up to more foreign banks [अधिक विदेशी बैंकों को शाखाएँ खुलने दी जाए]
- Maintaining full capital account convertibility [पूंजी खाते पर पूर्ण रूप से परिवर्तनशीलता]

Codes: [a] 1 only [b] 1 and 2 only [c] 3 only [d] 1, 2 and 3

32.12.2 ~~\$\$\$~~ Misc. Concepts: Helicopter Money & Zero interest rate regimes



AB CD ? MCQ. Consider the following actions which the Government can take: (Prelims-2011)

- Devaluing the domestic currency. [देसी मुद्रा को कमजोर करें]
- Reduction in the export subsidy. [निर्यात-सब्सिडी कम करें]
- Adopting suitable policies to attract greater FDI and Flls. [विदेशी निवेश को बढ़ोतरी दें]



Which of the above can help in reducing the current account deficit?

Codes: A) 1 and 2 B) 2 and 3 C) 3 only D) 1 and 3

AB CD ? The effect of devaluation of a currency is that it necessarily _____. [Pre-2021]

1. improves the competitiveness of the domestic exports in the foreign markets
2. increases the foreign value of domestic currency [स्थानिक मुद्रा के विदेशी मूल्य में बढ़ोतरी होगी]
3. improves the trade balance [व्यापार संतुलन बेहतर होगा]

Codes: a) 1 Only b) 1 and 2 c) 3 Only d) 2 and 3

32.13 EXCHANGE RATE → MISCELLANEOUS TERMINOLOGIES

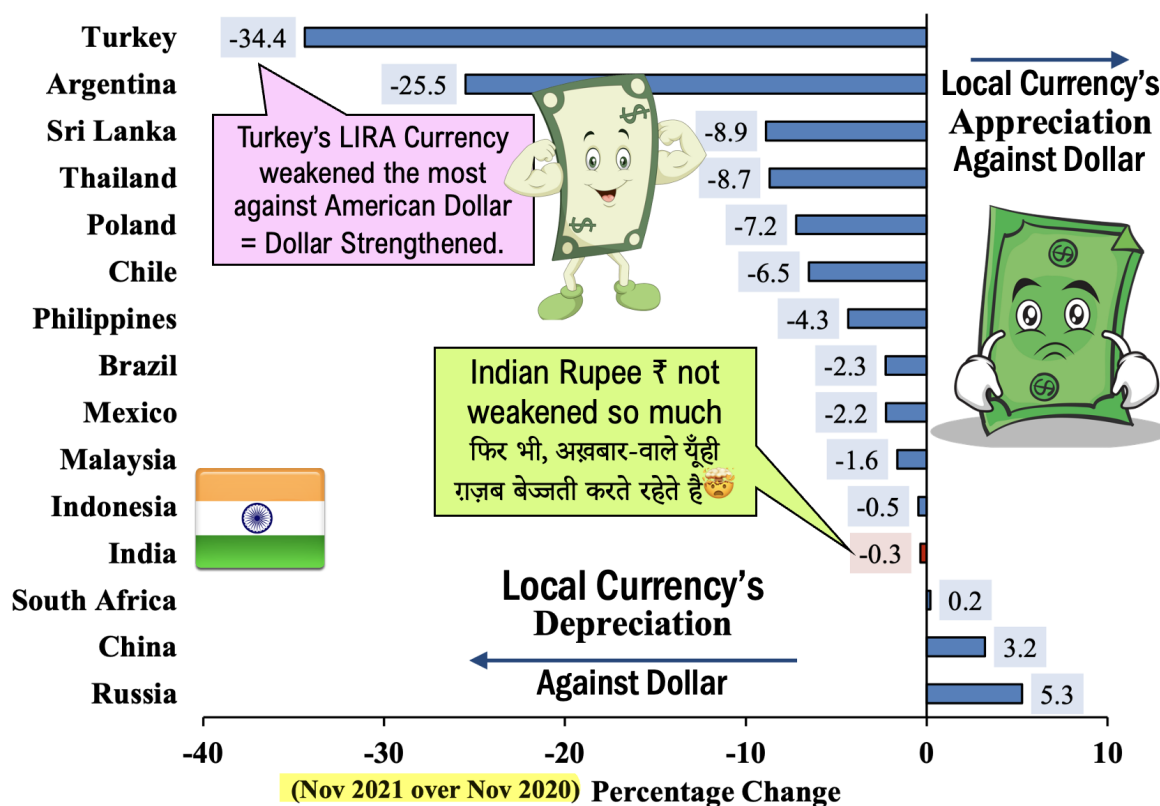
32.13.1 Currency depreciation- ES25 data

Currency	Indian Rupee	Canadian Dollar	South Korean Won	Brazilian Real
Depreciation (%) in 2024	2.9	5.4	8.2	17.4

ES25: global factors such as the movement of the Dollar, trends in FDI/FPI capital flows, level of interest rates, demand for gold & crude oil, current account deficit, geo-political problems (Ukraine, Palestine, etc.) affect currency exchange rate.

32.13.2 NEER and REER? (Hindi not imp because only prelim relevant)

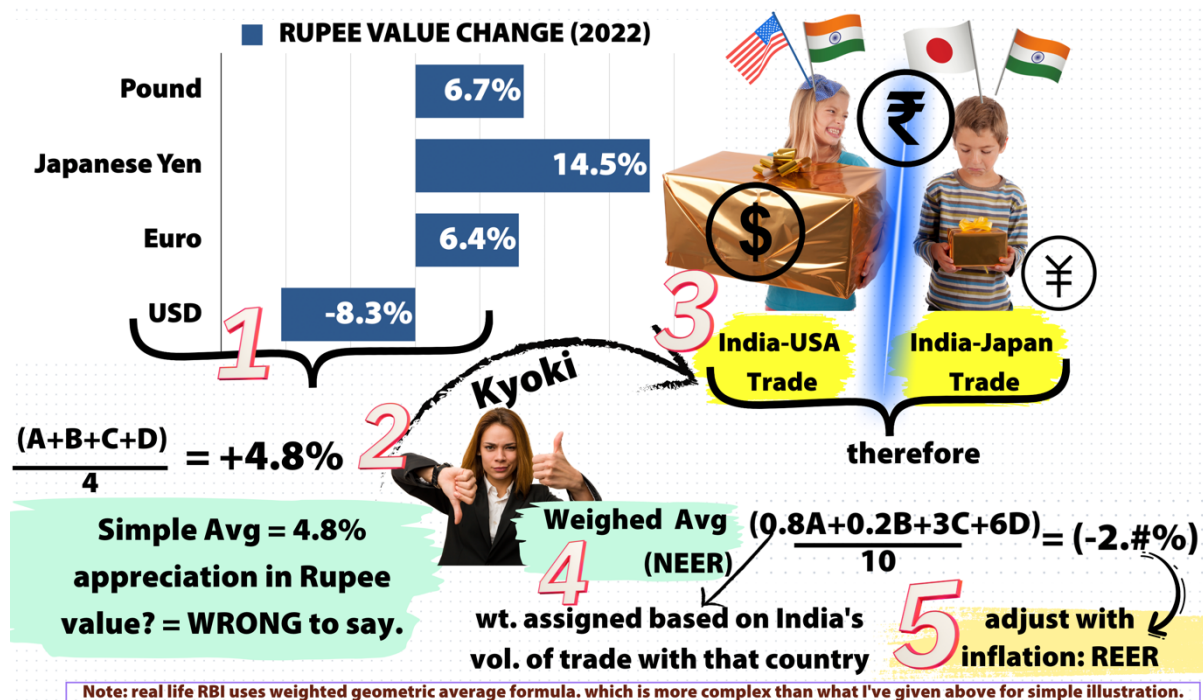
In real life we are not just trading with USA but other countries, using foreign currencies other than US dollars (Euro, Pound, Yen, Yuan etc).



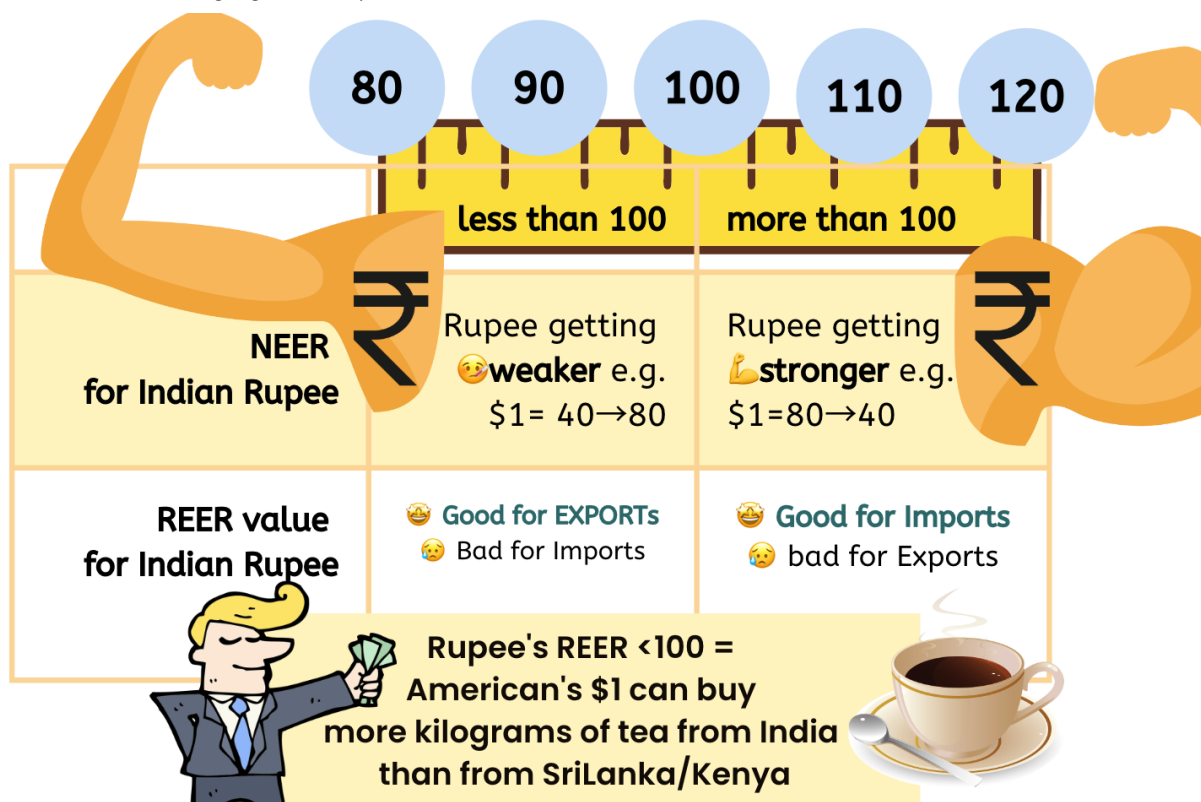
⇒ Therefore, only tracking \$1=60, \$1=70 will not give a full picture. So, RBI also calculates geometric average of rupee's exchange rate against upto 36 types of foreign currencies. The formula will give weightage to each of those 36 foreign currencies depending on their trade-



volume with India.



- ⇒ The result is called “Nominal effective exchange rate (NEER)”.
- ⇒ When NEER is mathematically adjusted as per the CPI-inflation price-levels in India and those foreign countries, it's called “Real effective exchange rate (REER)”.
- ⇒ REER interpreted as the quantity of domestic goods required to purchase one unit of a given basket of foreign goods, says NCERT.

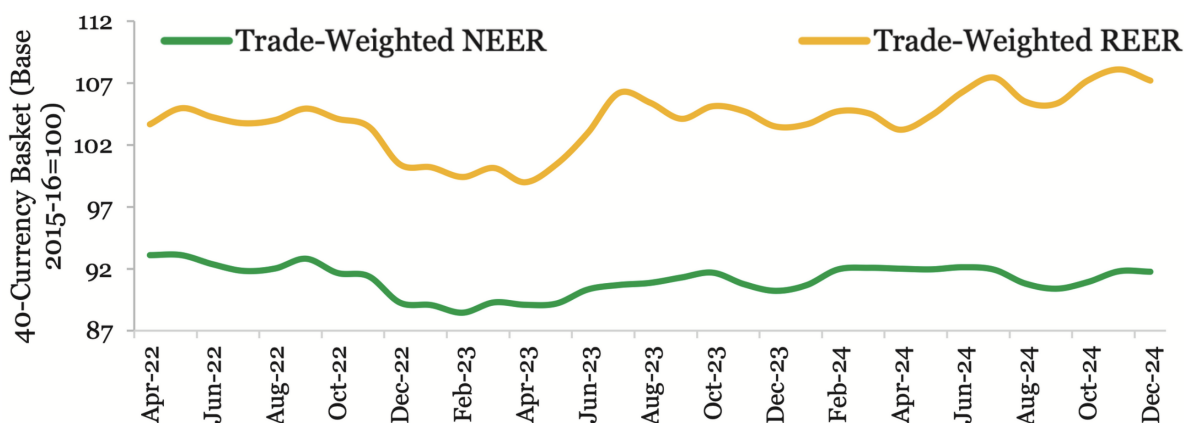


- ⇒ NEER vs REER values help finding whether a currency is really weakening (depreciating) against foreign currencies or not, thus helps to know our international competitiveness in exports.



- ⇒ For example: REER $\downarrow$ = foreigners will find our export prices attractive. REER $\uparrow$ = foreigners will find our export prices less attractive. Says ES20 . How? Not IMP
- ⇒ 2018's analysis reveals that though Indian rupee weakened against dollar $\$1 = ₹ 63 \rightarrow ₹ 74$, but rupee has not so greatly weakened against other foreign currencies.

32.13.3 ES25 (2024) NEER-REER - ES25 (2024)



- NEER mostly remained stable in 90–92 range.
- REER- appreciated from 103 $\rightarrow$ 107. That means rupee has gotten stronger (in terms of inflation adjusted real purchasing power.)

AB CD ? MCQ. Find Correct Statements (Prelims-2022)

1. An increase in Nominal Effective Exchange Rate (NEER) indicates the appreciation of rupee. (नीर बढ़ा तो मतलब यह पैसा मज़बूत हुआ)
2. An increase in the Real Effective Exchange Rate (REER) indicates an improvement in trade competitiveness. (रिअर बढ़ा तो मतलब है विश्व व्यापार प्रतिस्पर्धा (में भारतीय उत्पादों की) स्थिति बेहतर हुई)
3. An increasing trend in domestic inflation relative to inflation in other countries is likely to cause an increasing divergence between NEER and REER. (यदि भारत में अन्य देशों के मुकाबले महंगाई बढ़ेगी तो के नीर-रिअर के बीच ज़्यादा खाई दिखेगी)

Codes: (a) 1 and 2 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

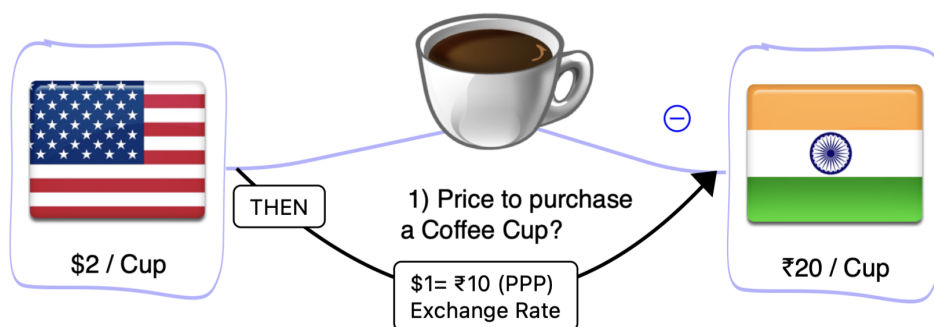
32.13.4 AF Afghan Currency is the Best Performing Currency in the world? (2023)

Deleted to save printing space, as I don't find it imp for exam, u may watch

https://youtu.be/x7rcf13JGh8?si=ZrBEtLzlrQQ-xoD_

32.13.5 Sx Purchasing Power Parity: क्रय शक्ति समता (PPP)

- It compares currencies based on purchasing power for similar goods. (एक समान वस्तुएँ खरीदने के खर्च के अनुपात में विनिमय दर)
- **Example:** If coffee costs ₹20 in India & \$2 in USA, PPP exchange rate should be $\$1 = ₹10$.
- OECD estimates $\$1 = ₹17$ at PPP. This rate can happen, IF there is floating exchange rates (=central banks don't intervene to control exchange rate) & free trade (=no taxes on import/export).
- **GDP (PPP):** When adjusted for PPP, the largest economies are 1) USA, 2) China, 3) India, 4) Japan, 5) Germany.



Big Mac Index	⇒ The Economist magazine's informal index to measure PPP exchange rate using the price of one McDonald burger in USA vs the respective country.
Twin Deficit दोहरा घाटा	⇒ It's the term used when both Current Account Deficit and Fiscal Deficit are high : चालू खाता घाटा और राजकोषीय घाटा

MCQ. Find correct statement(s) (UPSC-Prelims-2020)

- Purchasing Power Parity (PPP) exchange rates are calculated by the prices of the same basket of goods and services in different countries.
 - In terms of PPP dollars, India is the sixth largest economy in the world.
- Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

32.13.6 📌🔑 Mock Questions for Mains

Centered around the themes of – measures taken by government/RBI to reduce current account deficit, stabilise the rupee exchange rate, reforms taken in the FDI and its implications. Etc They're shifted to the Mains Handout.

📄 Next HDT: Pillar3C: WTO & other International Economic Orgs, Trade Agreements, Protectionism and burning issues.



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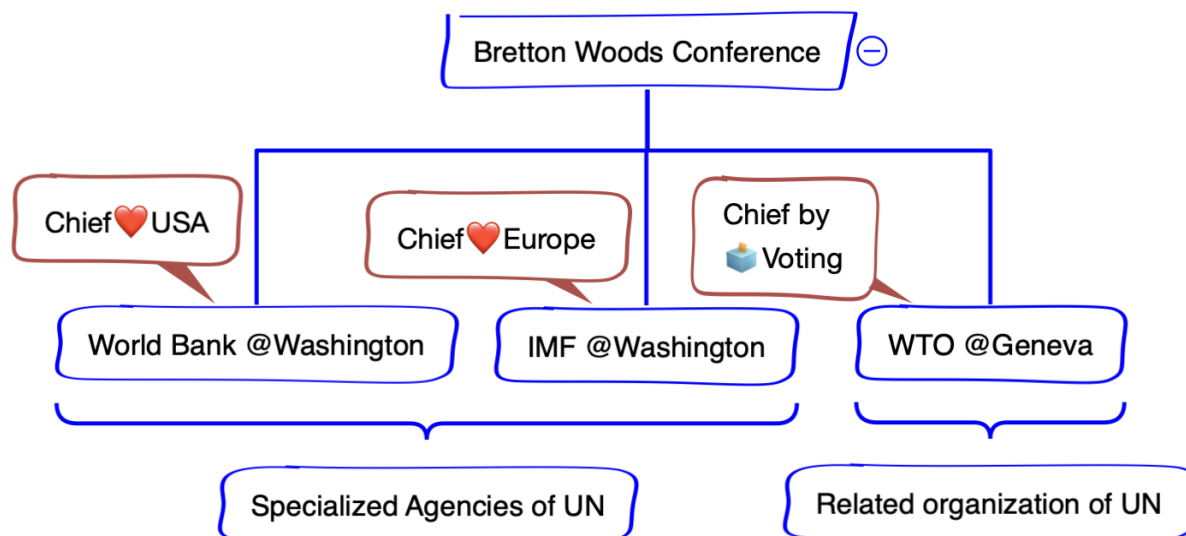
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34 PILLAR #3C: BRETTON WOODS ORGANIZATIONS

⇒ Conference was held in Bretton Woods town, New Hampshire in USA after the WW2 (1939-45) to restore the global economy. (सम्मेलन से तीन अंतरराष्ट्रीय संस्थानों का जन्म)

⇒ Total 44 nations participated, incl. India. It proposed 3 international institutions:

Outcome	Relationship with United Nations (UN)
1) International Bank for Reconstruction and Development (IBRD), commonly known as World Bank. 2) International Monetary Fund (IMF).	These two are considered “Specialized Agencies of UN (संयुक्त राष्ट्र की विशिष्ट एजेंसियां)”
3) (Proposed) International Trade Organization (ITO). But could not materialize due to American opposition. Instead, nations later setup GATT → WTO	WTO is considered “Related organization of UN (संबंधित संगठन)” because it doesn’t fulfil all requirements of UN charter on specialized agencies





34.1 🌐✂️👤 BRETTON WOODS → 1) WORLD BANK, WASHINGTON, 1945, JUL

⇒ विश्व बैंक originally focused on reconstructing war-torn European countries. After 1950s focusing on poor countries of Asia and Africa.

⇒ **World Bank** = IBRD + IDA.

⇒ **World Bank Group** = comprises of 5 institutions, namely

1) <i>International Bank for Reconstruction and Development (IBRD)</i> अंतरराष्ट्रीय पुनर्निर्माण और विकास बैंक	Gives development loans with interest. Created in 1944 to help Europe rebuild after World War II. Presently focuses on all developing countries.
2) <i>International Development Association (IDA)</i> अंतरराष्ट्रीय विकास संघ	Assists the poorest countries via interest-free loans (= “Concessional Loans: रियायती ऋण” or “soft loans”).
3) <i>International Finance Corporation (IFC)</i> अंतराष्ट्रीय वित्त निगम	supports enterprise of developing countries. Known for its Masala Bonds. (Ref Pillar1C)
4) <i>Multilateral Investment Guarantee Agency (MIGA)</i> बहुपक्षीय निवेश प्रत्याभूति एजेंसी	offers (foreign) investors insurance against non-commercial risk (such as political instability, regime change etc.). This helps 3rd world nations attract foreign investment.
5) <i>International Centre for the Settlement of Investment Disputes (ICSID)</i> निवेश संबंधी विवादों के निपटान का अंतराष्ट्रीय केन्द्र	Helps in dispute resolution related to foreign investment / foreign companies in 3rd world countries. India is not a member of this organization.

34.1.1 🗳️ Voting power?

- In the first four organizations, voting power depends on the share capital provided by a country. USA highest, followed by various European giants.
- 5th is “dispute settlement” body, so concept of ‘each country’s voting power’ does not apply

AB CD !? MCQ. Which one of the following is not in the 'World Bank Group'? (UPSC-Geosci'24)

- (a) International Centre for Settlement of Investment Disputes (ICSID) (b) Multilateral Investment Guarantee Agency (MIGA) (c) Investment Policy Framework for Sustainable Development (IPFSD) (d) International Finance Corporation (IFC)

MCQ. Find correct about Intl. Bank for Reconstruction and Development (IBRD) (Pre'25)

- I. It provides loans and guarantees to middle income countries.
 II. It works single-handedly to help developing countries to reduce poverty. (ये अकेला ही काम करता है)
 III. It was established to help Europe rebuild after the World War II.

codes: (a) I and II only (b) II and III only (c) I and III only (d) I, II and III

34.1.2 🌐✂️👤 World Bank President?

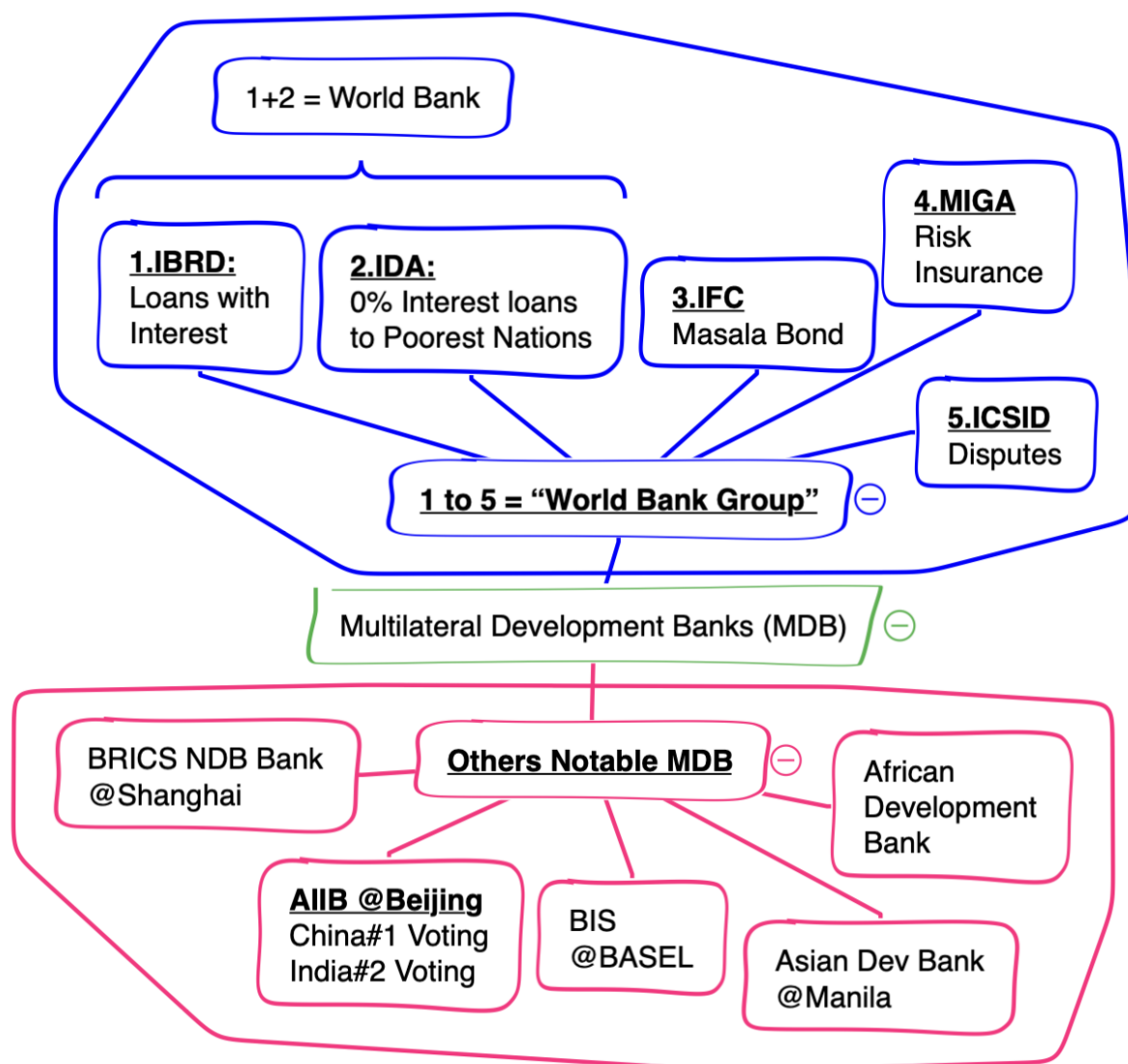
- Since USA and European powers collectively command large shareholding in World Bank & IMF, so their informal arrangement is- USA's favourite will be picked as World Bank chief, while European countries' favourite will be picked as IMF Chief.
- 2023: New President : Ajay Banga (USA) to replace David Malpass (USA).



- 📖 World Bank Reports? World Development Report, Ease of doing business Index (More in Pillar4B), Remittance & Migration Report, Global Economic Prospects report

34.1.3 🌐✍️👤🧐 World Bank: Controversy?

- (2021) World discontinued the release of “Ease of Doing Business report” after an allegations that IMF Chief Kristalina Georgieva (who was previously CEO of World Bank) had pressurized the World Bank staff to give better ranking to China.
- (2019) Trump demanded World bank should stop loaning to China because China has ‘lots of money’. World Bank clarified, “As countries grow richer, we reduce loaning to them, and the same is being done with China.” (अमीर देशों को हम कम कर्ज देंगे। चीन के साथ भी वही व्यवहार होगा।)



34.2 🌐✍️👤 (NON-BRETTON WOODS) → MULTILATERAL DEVELOPMENT BANKS

A multilateral development bank (MDB: बहुपक्षीय विकास बैंक) is an institution, created by a group of countries, that provides financing and professional advising for the purpose of development. Apart from World bank, the other notable examples are →



34.2.1 BRICS Bank and AIIB

	BRICS Bank: New Development Bank (NDB) नई विकास बैंक	AIIB: Asian Infrastructure Investment Bank एशियाई अवसंरचना निवेश बैंक
Started in	6th BRICS Summit in Fortaleza (2014) members signed treaty	2015-16
Members	Founding members: Brazil, Russia, India, China, South Africa originally each of above founding members had 20% shareholding, later diluted to 18.98% after addition of some new members.	China, India, UK, Switzerland, >100 nations as of 2020.
Voting power Shareholding pattern	2023-Nov. new shareholding pattern to be- - Brazil Russia India China South Africa (18.98% each) - + Algeria, + Bangladesh + UAE + Egypt have around 1-2% shareholding each ##	Based on share capital contributed: ➤ China largest shareholding ~27%, ➤ India second largest shareholding~7%. ➤ Asian countries control about 75% shareholding ➤ 25% with non-Asian nations.
HQ	Shanghai, China	Beijing, China

- BRICS member have also setup \$100 billion **BRICS Contingent Reserve Arrangement**: (आकस्मिक रिजर्व व्यवस्था) to help members during BoP crisis- similar to IMF.
- BRICS nations were planning to setup their **BRICS payment system parallel to SWIFT** (ref: Pill1: NPA handout), and BRICS rating agency (ref: 1C: SEBI-Share Market).

FAQ: If Bangladesh is not a member of the BRICS group, then how could it became the member in the new development bank? Ans. it is not compulsory for a country to be member of the BRICS group to become member of the BRICS's new development bank (NDB). Any country who is a member of the United Nations can join the NDB.

FAQ: Some new members were added in BRICS in 2023- Egypt, Iran, Saudi Arabia, Ethiopia, and UAE; then Indonesia added in 2025. Yet above NDB Bank table is not showing the names of all of those members? Ans. I have taken the data on 10/Apr/2025 [from official website](#). Perhaps those new BRICS members are yet to join this bank/yet to give share-capital to it.

MCQ. Find correct statement(s) about AIIB: (UPSC-Prelims-2020)

1. AIIB has more than 80 member nations.
2. India is the largest shareholder in AIIB.
3. AIIB does not have any members from outside Asia.

Codes: (a) 1 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3 only

MCQ. Which one of the following countries is not a founding member of the New Development Bank? (CDS2019-II) (a) Brazil (b) Canada (c) Russia (d) India

MCQ. Find correct statement(s) about New Development Bank :(Pre-2016)

- (1) It was set up by APEC.
- (2) The headquarters of New Development Bank is in Shanghai.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2



34.2.2 🌐✂️👤 Multilateral Development Banks → Others

BIS: Bank for International Settlements अंतरराष्ट्रीय निपटान के लिए बैंक	➤ 1930: setup in BASEL, Switzerland. ➤ Made up of 60 countries' Central Banks. Its committee on banking supervision set norms in 1988 (I), 2004 (II), 2011(III) to ensure global financial stability. (Ref: Pill1:NPA handout).
African Development Bank	➤ 1964: setup in Abidjan in Ivory Coast ➤ India is a member, also gets loans.
Asian Development Bank (ADB)	➤ 1966: setup in Manila, Philippines एशियन विकास बैंक ➤ India is a member, also gets loans.
European Bank for Reconstruction & Development (EBRD) पुनर्निर्माण और विकास के लिए यूरोपीय बैंक	➤ 1991: setup at London. ➤ India became member (shareholder) in 2018. India will not be eligible for loans from EBRD but India can initiate joint loan proposals for Asian, African, European nations for its soft-diplomacy. (usually India does it for winning poor nations friendship. so they vote in favour of India during Kashmir-Arunachal etc resolutions in UN General Assembly)
IDEAS भारत द्वारा विकासशील देशों को विकास और आर्थिक सहायता के लिए कर्ज में पैसा देना।	2005: Indian Development and Economic Assistance Scheme (IDEAS) to give loans to Developing countries. Ministry of External Affairs selects the loan-projects → FinMin's Dept of Economic Affairs will release the loan ₹ to the recipient country.

34.2.3 📐 Triangular Cooperation in global aid (त्रिकोणीय सहकार)

- 1st world / Global North nation gives money e.g. Germany
- 3rd world / Global south nation gives manpower, and other assistance e.g. India
- LDC/African nation given help. Note: there is no specific org for it.

34.3 🌐✂️👤 BRETTON WOODS → 2) IMF, WASHINGTON, 1945, DEC



- ⇒ International Monetary Fund (IMF) helps in global currency exchange stability, helps against balance of payment crisis. (अंतर्राष्ट्रीय मुद्रा कोष: मुद्रा विनिमय दर स्थिरता भुगतान संतुलन संकट में मदद)
- ⇒ Acts as a reservoir of the currencies of all the member countries, from which a borrower nation can borrow the currency of other nations- using the Special Drawing Rights (SDR) mechanism. (Ref: Previous Handout on Currency Exchange.)
- ⇒ IMF important decisions need to be passed with 85% majority. USA has 16.52% voting power so it can effectively block/veto it. (अमेरिका हर सुधार प्रस्ताव को रोक सकता है)
- ⇒ What is SDR? (More in 📄 Pillar#3A)



- ⇒ **IMF Chief? 2019: Kristalina Georgieva** (Bulgarian economist, previously CEO of the World Bank) becomes the **second woman** IMF Chief after Christine Lagarde, for five years tenure.
- ⇒ **IMF' Chief Economist (CE)? Gita Gopinath**, an Indian-American economist, she became the first woman to be the Chief Economist of IMF (2019 to 2022-Jan). Previously Raghuram Rajan has also served in this position. (मुख्य अर्थशास्त्री)
- ⇒ **2022: Gita Gopinath** promoted to the post of First Deputy Managing Director (FDMD).
- ⇒ **2025:-** Indian Govt appoints former RBI Governor Urjit Patel as Executive Director at IMF for a 3 tenure, replacing K.V. Subramanian (Govt abruptly replaced Subramanian because of a book purchase scam.)
- ⇒ 📖 **Notable reports?** Global Financial Stability Report, World Economic Outlook
- ⇒ United Nations (UN) has **195** members, whereas **IMF has 189 members**. But pursuing this type of KBC GK = poor cost:benefit for UPSC #🕒 थोड़ा-पढ़ो-आगे-बढ़ो

34.3.1 🌐✂️🧑🏫📖 IMF LOAN WINDOWS: RFI, SBA EFF

IMF loan windows	Rapid Financing Instrument (RFI)	Stand-By Arrangement (SBA)	Extended Fund Facility (EFF)
🕒 Duration	Short- 3-6 months	Medium: 1-2 years	Longer: 3 to 5 years
How much loan given?	Upto 50% of SDR quota	Upto 145% of SDR quota	Upto 435% of SDR quota
Given when	sudden and unexpected balance of payments need.	short-term stabilization	medium-term buffer

Some other notable IMF Loan windows are: Flexible Credit Line (FCL), Catastrophe Containment and Relief (CCR), High-Access Precautionary and Liquidity Line (HPCL).

34.3.2 🌐✂️🧑🏫📖 IMF bailout loans to Pakistan & Sri Lanka

⇒ Shifted to Mains Handout

AB CD ? MCQ. "Rapid Financing Instrument" & "Rapid Credit Facility" are given by ___. (Pre-2022)

(a) ADB (b) IMF (c) United Nations Environment Programme Finance Initiative (d) World Bank

AB CD ? MCQ. Who publishes 'Global Financial Stability Report'? (Asked in UPSC-Pre-2016)

a) European Central Bank b) IMF c) IBRD d) OECD

AB CD ? MCQ. Who publishes 'World Economic Outlook'? (Asked in UPSC-Pre-2014)

(a) IMF (b) UN Development Programme (c) World Economic Forum (d) World Bank

34.4 🌐🛒 THEORIES OF INTERNATIONAL TRADE

34.4.1 🏆 Bullionism

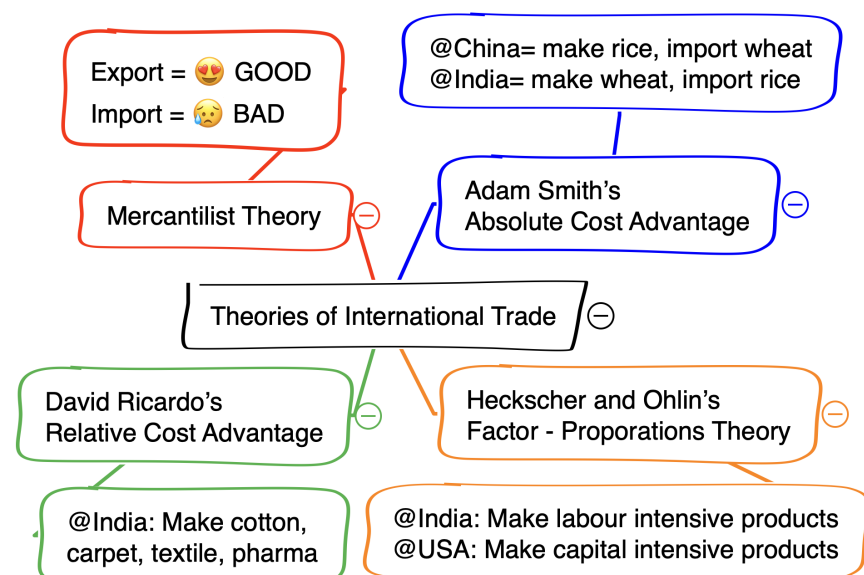
Bullionism is an economic theory that defines wealth by the amount of precious metals owned.

Bullionism is an early form of mercantilism theory.



34.4.2 🏆 Mercantilist Theory: व्यापारी सिद्धांत

- From the 16th to 18th century, economists believed in mercantilism i.e. The amount of wealth in the world is static. A nation's wealth and power were best served by ↑ exports and receiving payments in gold, silver and precious metals. (आयात करने से राष्ट्रीय संपत्ति का क्षय होता है ऐसा मानते थे)
- Therefore, any import was seen as loss of nation's wealth in gold payment.
- So, colonial powers tried to flood their colonies with readymade goods but always prevented entry of goods in their home country. (औपनिवेशिक शक्तियाँ भारत को गुलाम बनाने लगी)



34.4.3 Adam Smith's Theory of Absolute Cost Advantage (1776)

Output per one laborer 👤 →	India 🦁	China 🐼
Wheat 🌾	30kg 🌾	10kg 🌾
Rice 🍚	10kg 🍚	15kg 🍚

⇒ India has an absolute cost advantage over China in wheat production. (संपूर्ण लागत लाभ)

⇒ So, India should focus on producing more wheat, and import rice from China. India should not try to be a 'rice production specialist'. (भारत को जो काम सही से करना आता है वह करना चाहिए चीन की नकल नहीं)

⇒ Adam Smith's theory assumes 1) there are no production costs except labourers 2) no transport cost 3) there is free trade (no taxes on import exports)

34.4.4 David Ricardo's Theory of Comparative/Relative Cost Advantage (1817)

तुलनात्मक लाभ सिद्धांत

How many workers required to produce →	1-meter textile 🧵	1 bottle of wine 🍷
France	10 workers 👤👤	12 workers 👤👤
England	9 workers 👤	8 workers 👤

⇒ Here, we can see England requires less workers than France to produce wine and textiles. So, as per Adam Smith's absolute cost advantage, England should not import anything from France!

⇒ But, if plotted on graphs, it'll appear for England per unit labour cost to produce 1 meter textile is (relatively) cheaper than 1 bottle of wine. (इंग्लैंड के लिए कपड़ा बनाना, शराब बनाने से तुलनात्मक रूप से सस्ता है।)



- ⇒ So, England should shift domestic English wine workers towards textiles. England should export textile to France and import wine from France. England should not try to become a 'Wine production specialist'. (इंग्लैंड में सस्ती लागत पर कपड़ा बना के निर्यात करें और शराब को आयात करें। खुद शराब न बनाए)
- ⇒ Based on Ricardo's theory, Economists prepare **Revealed Comparative Advantage (RCA) index**, which can help monitoring which commodities should a country export?
- ⇒ 📦📦 ES21: India's top RCA (Relative cost advantage) export commodities are mainly
- Labour-intensive products [such as cotton, carpets, textiles- similar case in Bangladesh]
 - some capital /technology intensive products [such as Indian pharmaceuticals.]

AB CD MCQ. Find wrong about the comparative advantage theory (CAT) (CAPF-2025)

- (a) David Ricardo was the author of the CAT.
- (b) The CAT given book *On the Principles of Political Economy and Taxation* in 1817.
- (c) According to the CAT, the nation which does not have absolute advantage in any goods cannot benefit from trade.
- (d) The two nations that engage in trade can gain from specializing in the commodity in which they have a comparative advantage.

Hint: Absolute advantage = Adam Smith theory so it's wrong for Ricardo's CAT. Not possible to memories other options. Go by elimination.

34.4.5 ✈️👕 Heckscher and Ohlin's Factor - Proportions Theory (1919)

- ⇒ **Capital-abundant country** will export the capital –intensive goods. E.g. USA's Boeing company exporting Jet planes. (क्योंकि विमान बनाने में मजदूर कम और पूंजी ज्यादा चाहिए)
- ⇒ **Labour-Abundant Country** will export labour-intensive goods. E.g. India exporting cotton (and imports jet planes from USA).

34.5 🌐🛒👤 BRETTON WOODS → 3) GATT → WTO (GENEVA)

- ⇒ Initially, Bretton Woods conference proposed set up the International Trade Organisation (ITO) But USA opposed → the idea could not materialize (अमेरिकी विरोध के चलते बन नहीं पाया)
- ⇒ 1948: General Agreement for Tariffs and Trade (GATT: टैरिफ/शुल्क और व्यापार के लिए सामान्य समझौता)
- ⇒ 1986-1993: Uruguay Round of GATT negotiations → set up a permanent institution to encourage international trade in goods & services and Intellectual Property Rights (IPR) सेवा और वस्तुओं का व्यापार तथा बौद्धिक संपदा अधिकार.
- ⇒ 1994: Marrakesh treaty → WTO started functioning from 1/1/1995 at Geneva, Switzerland. India is a founding member. (भारत एक स्थापक सदस्य)

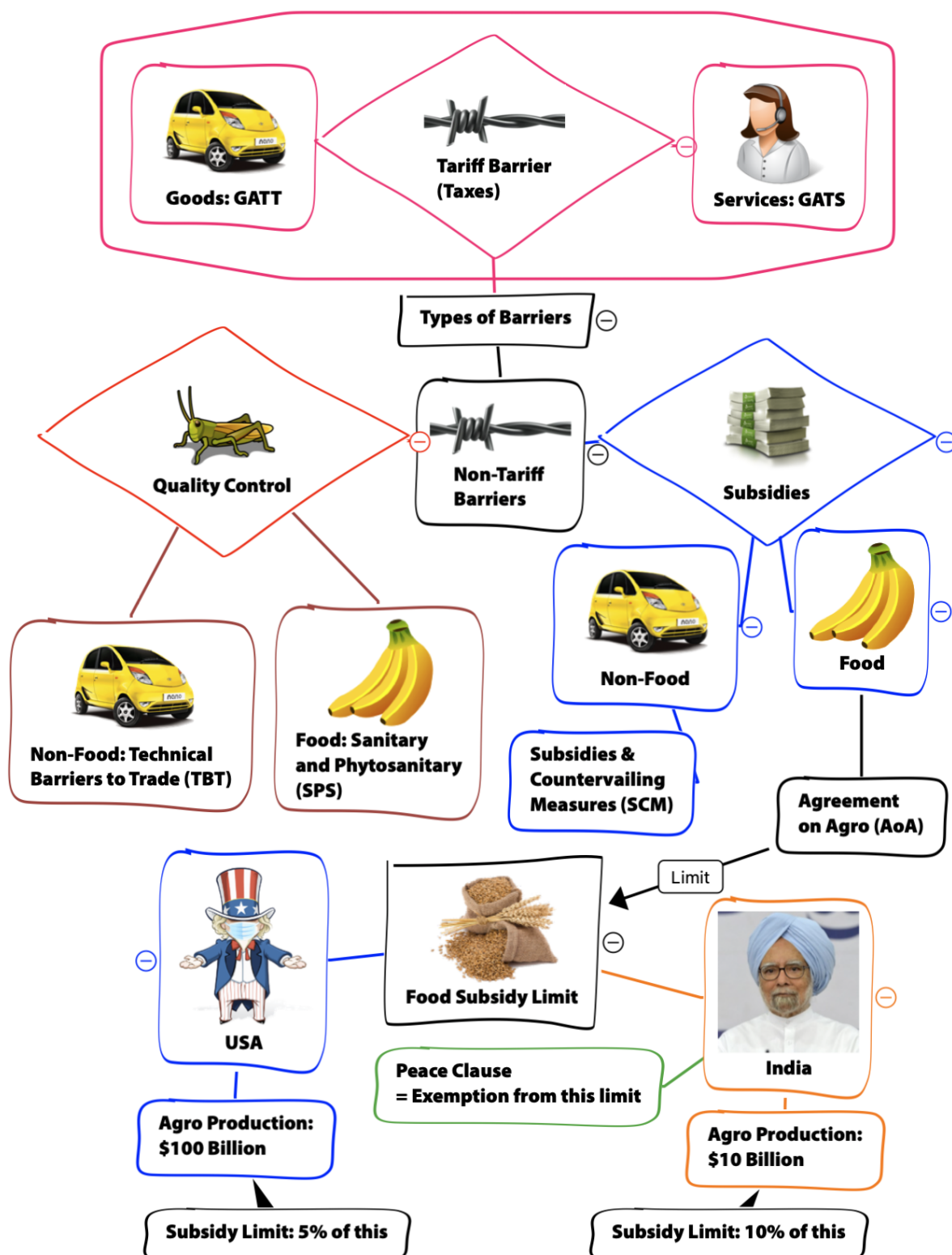
35 🌐🛒👤 WORLD TRADE ORGANIZATION: विश्व व्यापार संगठन

35.1.1 Ministerial Conference मंत्री सम्मेलन

- ✓ Supreme Decision-Making body. Usually meets once every two years, deliberates on trade agreements.
- ✓ One country = one vote. (unlike IMF & World Bank, where the money power → shareholding → determines the voting power)
- ✓ Appoints Director General (DG: महानिर्देशक) to look after administrative work.



- ✓ 2021: WTO new DG is Ngozi Okonjo-Iweala, replacing Brazil's Roberto Azevêdo. She is a former finance minister of Nigeria, First woman and first African WTO chief.



35.1.2 General Council सामान्य परिषद्

- ✓ Day to day decision making body @Geneva. Implements the decision of ministerial conferences



✓ Has representative from each member country.

has two bodies, with separate chairmen

1. Dispute settlement body: विवाद निपटान निकाय → Appellate Body

2. Trade policy review body: व्यापार नीति समीक्षा निकाय

Below general council, there are committees on individual agreements and annexes e.g. Anti dumping, Subsidies & countervailing measures (SCM) etc.

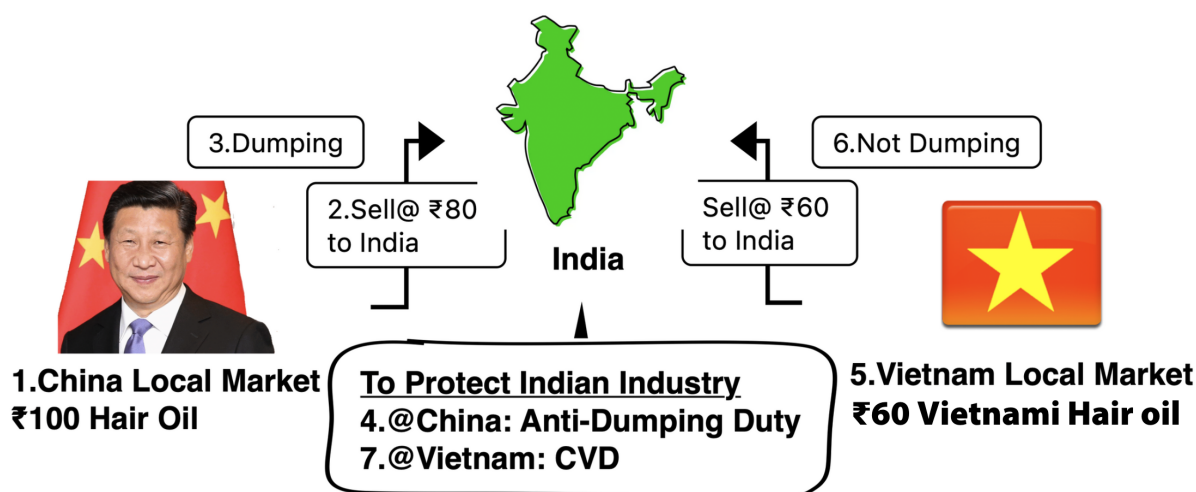
35.2 🌐🛒👤 WTO → FUNCTIONS (जिम्मेदारियां या कार्य)

Today all countries try to protect domestic industries against foreign imports by creating two types of barriers against the international trade:

35.2.1 🌐🛒🚫: Tariff Barriers against international trade

Tariff Barriers: शुल्क बाधाएं: Increasing the taxes, duties, cess, surcharge, on imported goods and services e.g. Trump imposed 25% custom duty on imported steel.

CVD	Anti-Dumping Duty: प्रतिपादन शुल्क
two scenarios when foreign goods will appear cheaper to Indians than domestic goods: - If foreign country is giving subsidies to their exporters AND / OR - If Indian government imposes higher amount of taxes, cess or surcharge on the locally manufactured products THEN Indian Govt tries to protect local (domestic) industry by imposing Countervailing Duty (CVD: प्रतिकारी शुल्क), Special Countervailing Duty, Additional Customs Duty on imported items on imported items. Internal difference NOTIMP	- If China exports goods to India at a price below their normal price in domestic Chinese market or at a price below their cost of production- then it is termed as “Dumping” - Then, India's commerce ministry → Directorate General of Trade Remedies : व्यापार उपचार महानिदेशालय (DGTR) investigates → recommends Finance ministry to impose “Anti-Dumping Duty” on such imported items. - E.g. \$185 on every one tonne of imported Chinese Steel, Then its prices will become equivalent to India Steel, thus Indian steel industry will be protected.





- Commerce Ministry → **DG foreign trade (DGFT)** launched 'ARTIS' portal (Application for Remedies in Trade for Indian industry and other Stakeholders). Applicants can file complaints against dumping

35.3 **NON-TARIFF BARRIERS AGAINST INTERNATIONAL TRADE**

- NTMs are govt policy measures. They are not customs tariffs/taxes but can still significantly impact international trade, esp. in goods.
- NTMs have increased after COVID-19 pandemic & Ukraine war.
- They are mainly of two types: Technical vs Non-Technical Measures (गैर-शुल्क बाधा दो प्रकार की हो सकती है तकनीकी और गैर तकनीकी)

 **FAQ:** in the following classification, I hv counter arguments ke X is not subtype of Y! Ans. I have copied from  ES25.

35.3.1 **Non-tariff measures (NTM) → Technical Measures**

Technical Measures are linked to product quality, health, safety, or environment. e.g.

- Sanitary and Phytosanitary Measures (SPS) e.g. insect / chemicals / diseases in food and fisheries. India has banned USA poultry products, including meat and chicken eggs, primarily on the grounds of avian influenza prevention (whereas USA claims this is done to protect Indian poultry farmers).
- Technical Barriers to Trade (TBT) e.g. minimum number of seatbelts in the car. (जलवायु परिवर्तन और वृक्ष-छेदन)
- Climate change & deforestation related rules e.g. CBAM & EUDR (जलवायु परिवर्तन और वृक्ष-छेदन). See the next section.

35.4 **NTM (TECHNICAL BARRIERS) → CLIMATE RELATED → CBAM & EUDR**

- ~26% of Global trade worth \$6.5 trillion is subjected to climate-change-related NTMs.
- EU's CBAM & EUDR will affect \$ 9.5 billion of India's exports to the EU.

35.4.1 → NTM (Technical Barriers) → climate related CBAM / carbon tax in EU

- Carbon Border Adjustment Mechanism (CBAM)
- EU will levy additional price^^ on imports of certain carbon-intensive goods such as steel, aluminum, cement, fertilizer, hydrogen and electricity from January 1, 2026. (कुछ कार्बन-गहन वस्तुओं के आयात पर अतिरिक्त मूल्य^^)
- CBAM = equivalent to 20–35% customs duty.
- Aim: To encourage cleaner industrial production in non-EU countries. (to protect the local European industrialist from competition from India and China)
- World Bank's Relative CBAM Exposure Index says India will be greatly harmed by this. Bcoz India's exports to EU: Iron-Steel (\$5 billion), Aluminium (\$2 billion)
- But, 2025-Feb: EU chief said they're willing address the concerns of India. For more on how EU Hekdi(Arrogance) got removed by Trump Tariff war- see <https://youtu.be/K-EkRG8gxnk?si=XBBmEodcU0wt-UfR>
-  **FAQ:** CBAM should be called 'tariff barrier' because it involves taxation. It should not be called non-tariff barrier. Ans. Technically, this is not a tax. It requires the company to



purchase carbon credit certificates. So, ES25 page87 has classified it as NTM. (refer to Environment book/course topic- Kyoto protocol).

35.4.2 NTM (Technical Barriers) → climate related → EUDR/ deforestation rule

यूरोपीय संघ वन विनाश विनियमन (EUDR)= व्यापारी साबित करे कि उसकी कॉफी/रबर/लकड़ी आदि ऐसे इलाके से नहीं आए हैं, जहाँ पर जंगल काटे गए थे। वरना जुर्माना / प्रतिबंध।

- EU Deforestation Regulation (EUDR). Likely to start from 2025-Dec.
- Applicable on: foreign exporters of palm oil, cattle/beef, soy, cocoa, coffee, rubber, timber etc.; items derived from them e.g leather, chocolate, tires, or furniture.
- Foreign exporter need to prove their items did not come from recently deforested land or breached any environmental laws. Else, ban / penalty on such item in EU.
- **Result?** Harms the exporters from China, India, Brazil, USA etc.
- Hypocrisy? EU itself has cut down 15% of the forests to expand the farm land (1990–2020).

35.4.3 → Non-tariff measures (NTM) Non-Technical Measures

- Cheap Loans and Subsidies to local industry.
- FDI: Defense Offset Policy i.e. Indian Govt requires the foreign defense exporters to invest minimum X% in Indian companies.
- Not allowing foreign car company to open repair/warranty centre in your country.
- Govt procurement restrictions (e.g. Indian govt will buy rice from Indian farmers, but not from Chinese farmer.)
- Intellectual property Rights (IPR) e.g. The USA banned semiconductor exports to China to prevent IP theft
- Local content requirements, Quality Control Orders
- Rules of origin e.g. Goods exported from Sri Lanka to India subjected to less inspection than goods coming from China.
- Importer license / Import Quotas e.g. USA doesn't allow import of more than "X" tonnes of steel, to protect the local steel industry.

35.5 NTM IMPACT AS PER ES25

35.5.1 NTM indirectly affects on FDI - ES25:

- NTMs indirectly affect FDI. A firm may bypass an NTM by engaging in FDI or a partnership with the local industry if the costs are lower. (इससे बचने के लिए विदेशी कंपनी स्थानिक कंपनी के साथ भागीदारी कर सकती है जिससे एफडीआई आता है।)
- For instance, under the National Solar Mission, the Indian government provides subsidies only for solar panels made in India. (केवल भारतीय कंपनियों की सौर पैनल पर सब्सिडी मिलती।)
- Consequently, American companies invest in FDI or joint ventures with Indian companies like Adani Greens and Suzlon.

35.5.2 NTM harder to measure than Tarrif barriers - ES25

Tariff barrier	Non-tariff barrier
e.g. Trump imposing X import duty on every export from Y nation.	e.g. EU's CBAM / Carbon Tax
broad-based. Applicable to all/majority goods.	granular because applicable only to a few goods



Tariff barrier	Non-tariff barrier
Easily visible	harder to assess.
Can bring FDI. E.g. Trump tariff forcing Taiwan's Chip companies to setup plants in USA	Yes, can bring FDI. explained in the previous section with solar subsidiary example from India.

35.6 WTO → NOTABLE AGREEMENTS

Objective	Agreement(s)
↓ tariff barriers शुल्क बाधाएं	1. 🚗 General Agreement on Tariffs and Trade (GATT) for goods- शुल्क और व्यापार पर सामान्य समझौता 2. 📡 General Agreement on Trade in Services (GATS) : सेवाओं के व्यापार पर सामान्य समझौता
↓ non tariff barriers गैर शुल्क बाधाएं	1. 🚗 For non-food : Agreement on Technical Barriers to Trade (TBT: व्यापार में तकनीकी बाधाएँ) e.g. talcum powder should not have more than x% of asbestos. 2. 🌱 For food : Agreement on Sanitary and Phytosanitary Measures (SPS: स्वच्छता और पादप उपाय) e.g. 'x' food item must not have more than y% pesticides residue.
↓ non tariff barriers → Subsidies	1. 🚗 For non-food : Subsidies and Countervailing Measures (SCM: सब्सिडी और काउंटरवेलिंग उपाय) 2. 🌱 For food : Agreement on Agriculture (AoA: कृषि पर समझौता)- which aims to regulate the subsidies on agriculture through its 'box' mechanism. 📦 Subsidies that are classified in Green & Blue box category- are allowed (e.g. Research, Cattle-Vaccination). 📦 Amber (एम्बर) box category subsidies will be subjected to quantitative limits (e.g. Fertilizer, Electricity, Diesel, MSP.)
Misc. measures to encourage global trade, protect environment	1. Trade-Related Aspects of Intellectual Property Rights (TRIPS) : → related topics: Compulsory licensing, pharma-patents. 📄 More in Pillar4B: IPR (बौद्धिक संपदा अधिकारों के व्यापार-संबंधित पहलू) 2. Trade-Related Investment Measures on Foreigners. (TRIMs) - it applies to foreign investment norms related to goods only. Doesn't apply on foreign investment norms on services. (विदेशियों पर व्यापार से संबंधित निवेश के उपाय) 3. WTO's Agreement on Fisheries Subsidies (AFS-2022) : to curb 'harmful' subsidies that promote overfishing. (मत्स्य समझौता) 4. Plurilateral agreements : They are not signed by all the members of WTO e.g. Agreements on aircrafts, dairy product, bovine meat, Information Technology Agreement (ITA) (सभी सदस्य राष्ट्रों ने इस पर हस्ताक्षर नहीं किए)

  Find correct about Trade-Related Investment Measures (TRIMS)? (UPSC-Prelims-2020)

- Quantitative restrictions on imports by foreign investors are prohibited.



2. They apply to investment measures related to trade in both goods and services.
3. They are not concerned with the regulation of foreign investment.

Ans Codes: [a] 1 and 2 only [b] 2 only [c] 1 and 3 only [d] 1, 2 and 3

AB CD ? MCQ. 'amber box, blue box and green box' are related to? (UPSC-Pre-2016)

- (a) WTO affairs (b) SAARC affairs (c) UNFCCC (d) India-EU negotiations

AB CD ? MCQ. The terms 'Agreement on Agriculture', 'SPS Agreement' and 'Peace Clause' are in the context of affairs of the _ _ _ (UPSC-Pre-2015)

- (a) Food and Agriculture Organization (b) UN Framework Conference on Climate Change
(c) World Trade Organization (d) United Nations Environment Programme

AB CD ? MCQ. TRIPS Agreement pertains to (UPSC-CDS-2017-I)

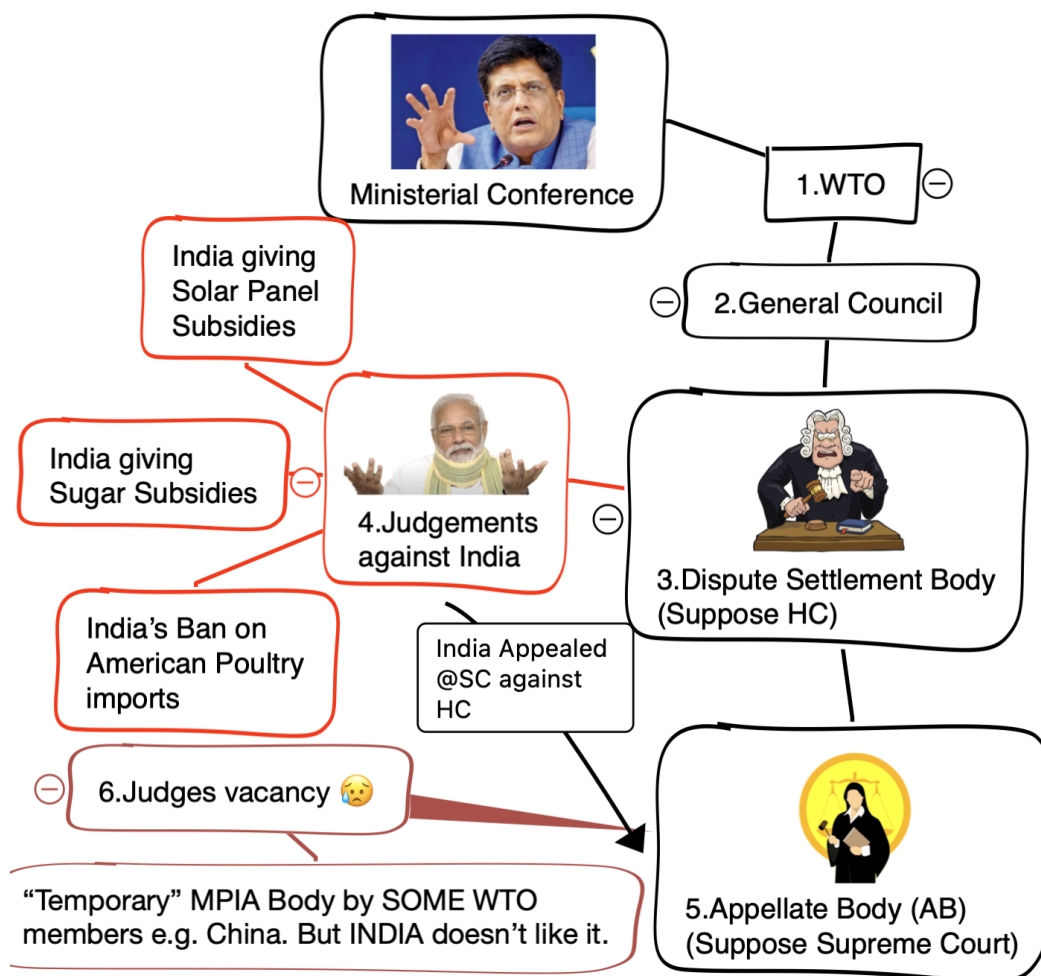
- (a) international tariff regime (b) intellectual property protection
(c) international practices on trade facilitation (d) international taxation of property

AB CD ? MCQ. Which of the following are the main functions of WTO? (UPSC-IES-2020)

1. To organize meetings of members to arrive at trade agreements covering international trade.
2. To ensure member countries conduct trade practices as per agreements signed by the members.
3. To provide a platform to negotiate and settle disputes of international trade between members.

codes: (a) 1 and 2 only (b) 1 and 3 only (c) 2 and 3 only (d) 1, 2 and 3

35.7 🌐🛒🗑️🧐 WTO DISPUTES INVOLVING INDIA





Complaint at WTO's Dispute Settlement Body (DSB)	Outcome/Verdict
USA against India's solar panel subsidies to local producers	India lost.
USA against India's ban on imported American chicken/poultry	India lost.
USA against India's export subsidies /tax benefits e.g. MEIS, SEZ, etc	India lost.
Australia, Brazil and Guatemala against India's sugar export subsidies	India lost.

In above cases, WTO's Dispute Settlement Body (DSB) ordered India to stop such export subsidies/tax benefits.

- **2019:** India goes to WTO Appellate Body (अपीलीय निकाय) to appeal against DSB's order.
- **2020:** Indian Commerce Minister says, "we will not implement WTO's DSB's orders, because the appellate body (AB) is not functioning, so our appeal is pending."

MCQ. Find Correct (Pre'24)

- Statement-I: India does not import apples from the United States of America.
- Statement-II: In India, the law prohibits the import of Genetically Modified food without the approval of the competent authority.

Codes: (a) Both St-I and St-II are correct and St-II explains St-I

(b) Both St-I and St-II are correct, but St-II does not explain St-I

(c) St-I is correct, but St-II is incorrect. (d) St-I is incorrect, but St-II is correct

35.7.1 🌐🛒✂️🔒👤 WTO's Appellate Body (AB) Crisis

- ⇒ It is a permanent body to resolve appeals against DSB's orders.
- ⇒ It is ordinarily composed of 7 members, 4 year term & 1 reappointment.
- ⇒ WTO Appellate Body members are appointed by the WTO members by consensus, (i.e. no member-nation should formally object to candidate's name).
- ⇒ Since July 2017, the United States has been opposing AB appointments. So, body is under-staffed/ dysfunctional. This has resulted in the 'Appellate Body crisis'. (अपीलीय ट्रिब्यूनल में केस आगे बढ़ नहीं रहे, क्योंकि अमेरिका यहां पर नए जजों की नियुक्ति में बाधाएं डाल रहा है)

35.7.2 🌐🛒✂️🔒👤 WTO Multiparty Interim Arbitration (MPIA) mechanism

- Due to the aforementioned appellate body crisis → some WTO members have created a Multiparty Interim Arbitration (MPIA) body as a temporary solution.
- Members? EU, China, Brazil, Australia, New Zealand etc 20+ WTO members.
- India is not a member yet. India wants restoration of the original appellate body (AB). (उक्त समस्या से अस्थाई रूप से लड़ने के लिए चीन सहित कुछ देशों ने 'बहुपक्षीय अंतरिम मध्यस्थता' प्रणाली बनाई है किंतु भारत उसका सदस्य नहीं है, भारत डब्ल्यूटीओ की परंपरागत अपीलीय प्रणाली चाहता है)

35.8 🌐🛒👤🤝 WTO NEGOTIATIONS / SUMMITS / PACKAGES

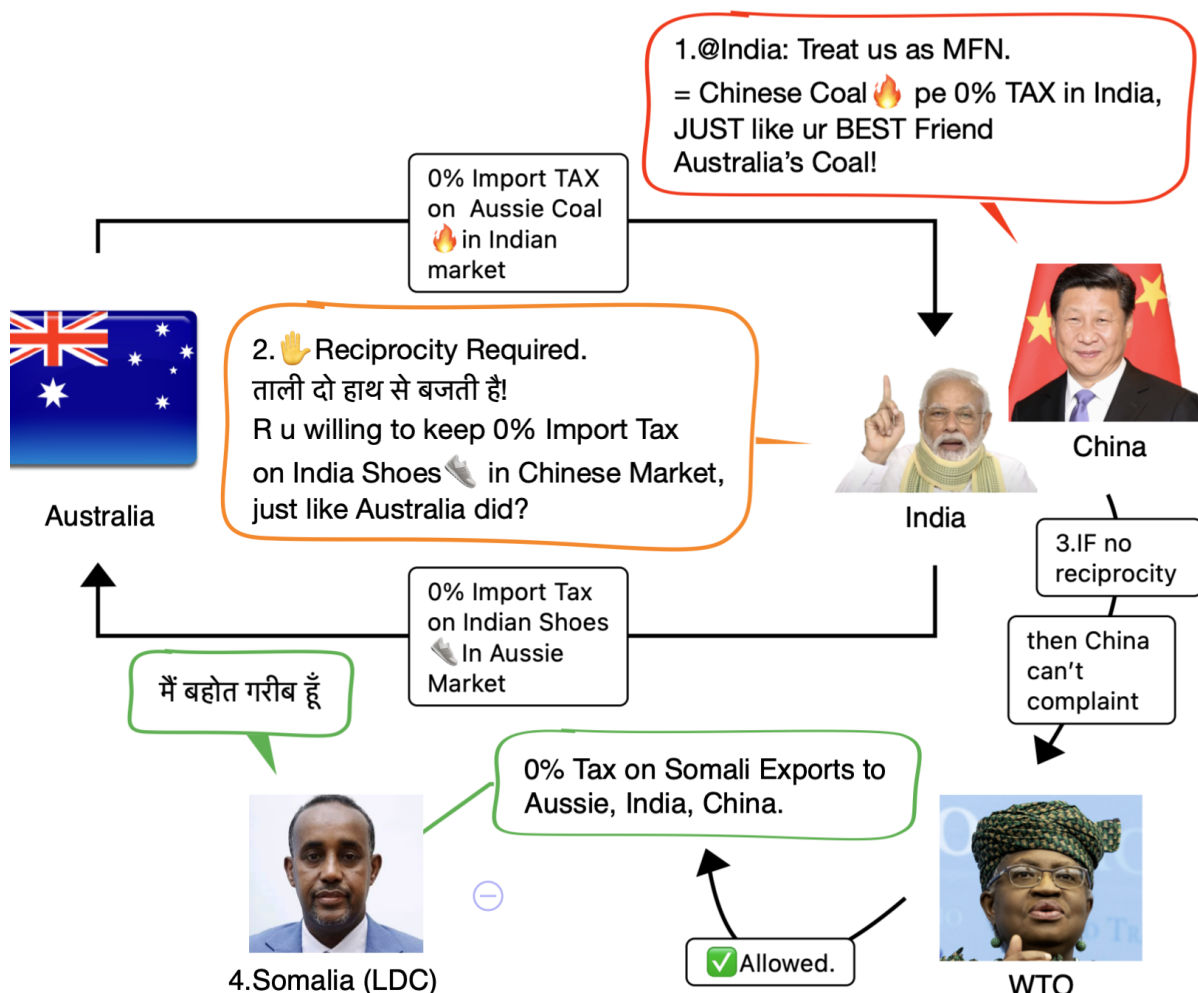
Note: I have also given the outcome of the older submits because StatePSC examiners donot to update their question bank regularly.

35.8.1 🤝👤 Most Favoured Nation (MFN)- अत्याधिक वरीयता वाले देश

(कुल मिलाकर प्रत्येक देश ने बाकी देशों के साथ वही व्यवहार करना चाहिए जो वो अपने अति प्रिय मित्र देश के साथ कर रहा है)



- ⇒ WTO agreements require that whatever treatment is being given to the Most Favoured Nation, must also be extended to all other member countries. A member should not discriminate between its trading partners- provided there is mutual-reciprocity.
- ⇒ So even imported Chinese coal should be subjected to 0% import tax in India- but ONLY IF there is reciprocity ke Indian shoes will be subjected to 0% import tax in China. (But, China may not allow it, so India not bound to ↓ taxes on Chinese coal)
- ⇒ But in practice, MFN is not implemented in letter and spirit by some members. E.g. 1996: India granted MFN status to Pakistan but Pakistan didn't reciprocate (mainly) due to their local textile industrialists' lobby who feared competition from Indian textile imports.
- ⇒ **2019-Feb:** India withdrew MFN status for Pakistan, following Pulwama attack on CRPF personnel. India also ↑ customs duty by 200% on goods originating from Pakistan.
- ⇒ Since Pak not giving India MFN treatment. So, **there is no 'legal-compulsion'** on India to give them MFN status. even if Pak complained to WTO's dispute redressal panel, it'll lose the case.



MCQ. MFN-Clause in WTO regime is based on the principle of [UPSC-CDS-2017-I]

- a) non-discrimination between nations
- b) discrimination between nations
- c) differential treatment between locals & foreigners
- d) uniform tariff across commodities



35.8.2 🙌👤 Least Developed Countries (LDC: सबसे से कम विकसित देश)

- are identified by the UN Economic and Social Council (ECOSOC: संयुक्त राष्ट्र आर्थिक और सामाजिक परिषद). Somaliya, Ethiopia, Congo, etc.
- Least Developed Countries' economic growth can ↑ if they are able to export more. So, WTO agreements permit other countries to give duty free quota free access to exports from LDC. and that is not considered as a violation of any other agreement.
- e.g. If India levied 0% custom duty on Somalian pendrives, India will not be required to give same treatment to Japanese pen drives under "MFN norm", Bcoz Japan is not LDC.

35.8.3 🙌👤 Aid for Trade Initiative by WTO

WTO initiative to give funding to 3rd world countries and LDC for improving international trade.

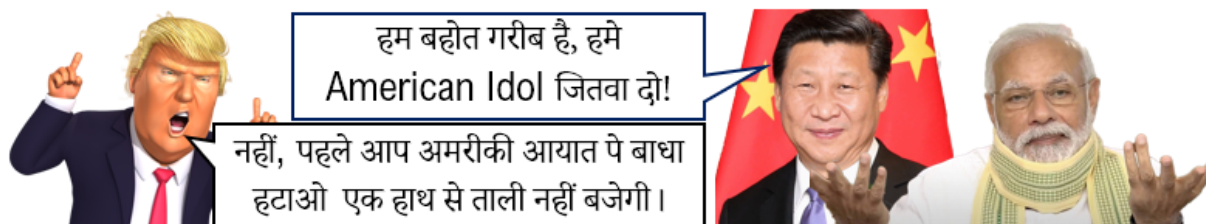
35.8.4 Some keywords:

Before dwelling into summits, let's keep a few terminologies in mind →

1. **First world countries**, Advanced Economies (AE), Developed Countries= such as USA Canada, France and Germany etc. (प्रथम विश्व के देश, उन्नत अर्थव्यवस्थाएँ, विकसित देश)
2. **Second world countries**= USSR and its allied countries (e.g. Poland, Hungary, Cuba) which were under the influence of Communist Socialist ideologies. However, with the collapse of USSR, the term has become defunct (सोवियत संघ के विघटन के बाद यह शब्द अप्रचलित/ मृत हो गया है.).
3. **Third world countries**, **developing countries**, **Emerging market economies** (EME)= India China, Mexico, Brazil etc. Nowadays, "Global South" term also used for them. तीसरा विश्व, विकासशील देश, उभरती हुई अर्थव्यवस्थाएँ, वैश्विक-दक्षिण

Some of the burning and contentious issues between 1st world vs. 3rd world at WTO →

35.8.5 🙌👤 Doha Development Round (Qatar 2001)



3rd world countries wanted following:

- ✓ 1st world should liberalize their trade regulation further so that 3rd world's goods and services can enter more easily in the first world's domestic markets. अमरीकी बाजार में हमारे उत्पादों पे कम टेक्श लगे
 - ✓ 3rd world should be allowed to **keep various barriers** to slow down the entry of 1st world's agriculture, manufactured goods and service exports in their domestic market. स्थानीय उद्योगों को बचाने के लिए हम अमरीका के खिलाफ व्यापार-बाधाओं को कायम रखेंगे।
 - ✓ 1st world shd give financial + technical assistance to 3rd world. आर्थिक व तकनीकी सहायता मिले
- Obviously, USA and European countries would not like this. So, Doha round of negotiation continues without conclusion. And in future summits the USA/EU would want WTO officials to



begin negotiations on the new matters lucrative to their MNCs (like ICT, E-Commerce) whereas 3rd world nations will continue to insist that Doha round negotiations must be concluded first.

35.9 🏠 WTO MINISTERIAL CONFERENCES (MC)- NOTABLE LIST

Notable	Place	Year	Comment / notable outcome if any
MC1	Singapore	1996	Started for first time.
MC4	Doha	2001	Doha Development Agenda: clash of first world versus third world. <learned in the previous section>
MC9	Bali	2013	🌽 1) food subsidy peace clause 🚢 2) trade facilitation agreement
MC10	Nairobi	2015	🌽 Special Safeguard Mechanism (SSM) to protect farmers in 3rd world countries.
MC11	Buenos Aires, Argentina	2017	😞 failed to deliver any notable outcome.
Cancelled	@Nur-Sultan, Kazakhstan	2020	😞 Cancelled by Corona
MC12	Geneva, Switzerland	2022	🐟 1) Fisheries subsidy agreement. 🧬 2) patent waiver for corona vaccines.
MC13	Abu Dhabi, UAE	2024	(1) 2 new members added. (2) food subsidy & fisheries issue not resolved. (3) fund to help women exporters in digital economy.
MC14	Yaoundé, Cameroon.	2026	

35.9.1 🌾👨🌾 Food subsidies & peace clause: खाद्य रियायतें और शान्ति अनुच्छेद/उपधारा



Under WTO's Agreement on Agriculture (AoA), 1st world and 3rd world countries are required to limit their food-subsidies to 5% and 10% respectively to the value of their agriculture production.

- But, in absolute quantitative terms USA's 5% will be much bigger than India's 10% → 1st world countries are able to give larger amount of food subsidies to their farmers → export them to 3rd world countries @cheap price, and ruining local farmers.
- India has a large population of poor farmers who need Govt support such as subsidies & procurement at Minimum Support prices (MSP: न्यूनतम समर्थन मूल्य) More in Pill#4A.
- India also has a large number of malnourished poor families who need subsidized food grains under National Food Security Act (NFSA खाद्य सुरक्षा अधिनियम/कानून) More in Pill#6.



- 2013: WTO ministerial conference at Bali (Indonesia) → India refused to sign any new agreements until this food subsidy issue was resolved.
- So, WTO Peace Clause → it gave temporary immunity to India and other developing countries. (अस्थायी- बचाव/ अल्पकालिक- प्रतिरक्षा)
- Basically, 3rd world nations can give any amt of subsidy for their food programs:
 - (1) USA/Other countries cannot impose countervailing duty. प्रतिकारी शुल्क पर रोक
 - (2) USA/Other countries cannot complaint to WTO about it. शिकायत पर गौर नहीं किया जाएगा
- **2020:** India informed WTO that in rice production, we've crossed the 10% subsidy limit (in 2018-19). But as per Peace clause, we've immunity! हम को खुली छूट मिली है.

35.9.2 🍌👨👩 Food subsidies: Cairns Group

Agricultural exporting countries' group. Members: Thailand, Argentina, Australia, Bolivia, Brazil, Canada etc. 20 nations. They want WTO members to ↓ /stop agri subsidies. India is not a member.

35.9.3 🍌👨👩 Bali Package & Trade Facilitation Agreement / TFA (2013)

Bali Package is the trade agreement / outcome resulting from the WTO ministerial conference (मंली सम्मेलन) 2013 @Bali, Indonesia. Its two significant components are :

1. Trade Facilitation Agreement (TFA: व्यापार सुविधा समझौता):



- a. requires member countries to ↓ their bureaucratic delays, red tapes, inspector raj in import-export of goods. (नौकरशाही, लाल फ्रीताशाही)
 - b. They've setup online portals where traders can seek permissions, pay fees, custom duties, self declaration forms (*like e-way bill*) etc.
 - c. India & others ratified in 2016 → TFA became effective from 2017.
 - d. India set up a National Committee on Trade Facilitation (NCTF) under Cabinet Secretary (IAS). Below him → a steering committee jointed headed by Revenue secretary (IAS) and Commerce secretary (IAS). (व्यापार सुविधा पर राष्ट्रीय समिति → संचालन समिति)
2. Peace Clause on subsidies → explained in previous section.

35.9.4 👤 Social and development subsidies

- - These subsidies provide food, housing, healthcare, education, and other basic needs to poor families. We will learn about such schemes in pillar5 (Infra) and pillar6 (HRD)
- - WTO permits it- subjected to terms & conditions in Subsidies & Countervailing Measures

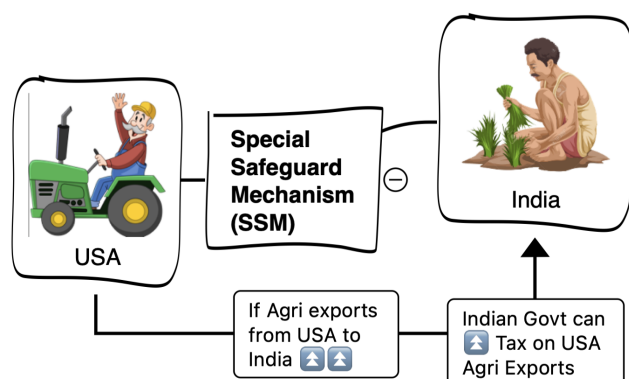


Answer Codes: (a) 1 & 2 only (b) 1 & 3 only (c) 2 & 3 only (d) 1, 2 and 3

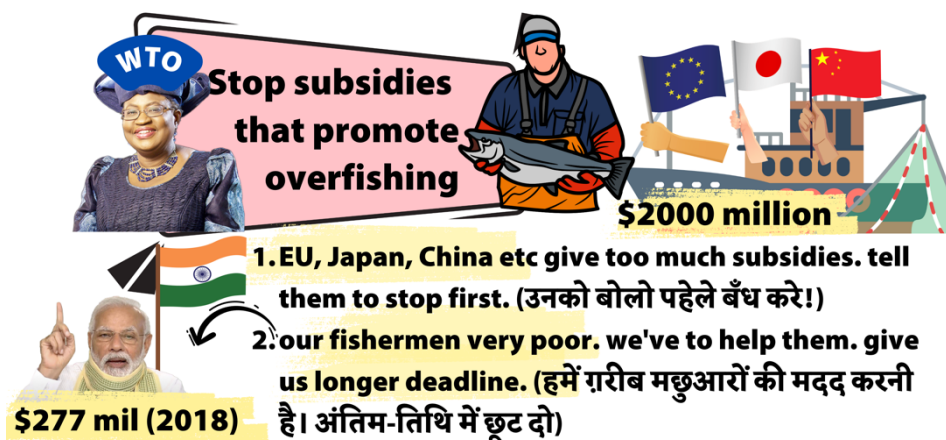
35.9.5 🇰🇪 Nairobi Package & SSM (2015)

Nairobi Package resulted from the WTO ministerial conference 2015 @Nairobi, Kenya →

1. We'll extend the Peace Clause for another "x" years.
2. Members must stop the subsidy on Agriculture Exports: 1st world countries must comply immediately while 3rd world countries given a relaxed deadline.
3. If there is a surge of cheap agro exports from 1st world to 3rd world, then 3rd world countries will have the right to temporarily increase tariff / taxes on them, to protect their local farmers. It's called "Special Safeguard Mechanism: विशेष सुरक्षा तंत्र (SSM)."



35.10 🐟 WTO-2022 SUMMIT (GENEVA) → FISH SUBSIDIES AGREEMENT



WTO's Agreement on Fisheries Subsidies (AFS) signed in WTO Summit/ Ministerial Conference 2022 at Geneva. AFS prohibits three kinds of subsidies: ((मत्स्य सब्सिडी पर समझौता: निम्न सब्सिडी पर पाबंदी)

- ⇒ 🇨🇭 (1) illegal, unreported, or unregulated (IUU) fishing
- ⇒ 🇨🇭 (2) fishing of already over-exploited species/stocks
- ⇒ 🇨🇭 (3) fishing on unregulated high seas.

🚩 FAQ: What do above things mean, how are they different from each others? ANS. NOTIMP.

Sufficient to know ke WTO wants to stop over-fishing.

India wants special and differential treatment (S&DT). (भारत को खास और भिन्नकर छूट चाहिए):

35.10.1 🐟 Signing vs ratification (हस्ताक्षर बनाम अनुसमर्थन)

- step1: A country signs a global agreement.



- step2: The country's government needs to ratify it, i.e., taking approval from the Country's Cabinet/President/King/Parliament, depending on the nature of the agreement and the nature of the polity/constitution in a given country.

Nation	India	USA
rectification requires →	Cabinet Approval	Parliament (=Congress) approval.

Note: Above table from [IndianExpress](#). ChatGPT [giving double-dholki \(=ambivalent\) answers](#).

35.10.2 🐟🐟 Ratification : Fisheries Agreement

- 2/3rds of WTO members need to formally accept (=ratify) the agreement before it becomes binding. (दो तिहाई सदस्य देशों के अनुसमर्थन के बाद ही कोई WTO का समझौता कानूनी रूप से बाध्य बनता है.)
- 2024-Feb: 70 nations ratified. (Target quota approx 110 members)
- So, the Fisheries Agreement is NOT YET come into force. (as of 2024-Apr).

35.11 🐫🐾 WTO-2024: ABU DHABI, UAE OUTCOMES

35.11.1 → ☒ ☒ ☒ WTO-2024 ☒ investment facilitation agreement (IFD) REJECTED

- WTO allows member countries to form a group and have agreements among themselves- even if all members do not sign it. Such agreements are called plurilateral agreements/ Annex 4 Agreement.
- 2017: China proposed Investment Facilitation for Development Agreement (IFD)-to promote transparency of investment measures; streamlining and speeding-up investment-related authorisations procedures; enhancing international cooperation, information sharing, and the exchange of best practices.
- 2024: China and 100+ out of 160+ member-nations proposed IFD to be added as a plurilateral agreement at the WTO-2024 Conference.
- But, India and S.Africa opposed to IFD proposal, stating that it is a non-trade issue and falls outside the mandate of the WTO.
- IFD agreement requires national government to consult (foreign) investors on policy matters. India doesn't like this, bcoz it affects countries' sovereignty.
- (विकास के लिए निवेश सुविधा समझौता. चीन इसे वोट में लाने की वकालत कर रहा है किंतु भारत और दक्षिण अफ्रीका विरोध में क्योंकि फिर सरकारों ने विविध नीति निर्माण में निवेशक की भी राय लेनी होगी - तो देश की संप्रभुता पे जोखिम ।)

35.11.2 🐫🐾 Food Subsidy: Thailand opposed India

- Thailand is the second largest rice exporter in the world, after India.
- WTO-2024 Conference: Thailand accused India of exporting rice at very low prices due to government subsidies. but this matter is not resolved, YET.

35.11.3 🐫🐾 Women Exporters in the Digital Economy (WEIDE) Fund by WTO (2024)





- Boss: WTO and the International Trade Centre (ITC, a joint-agency made by UN+WTO)
- Fund size: \$ 50 million. (UAE was first to donate \$ 5 million to it)
- Launched on the sidelines of the 13th WTO Conference @Abu Dhabi, UAE (2024)
- Objective: To help women entrepreneurs in 3rd world and LDC to adopt digital technologies and expand the online presence of their enterprises. (महिला उद्यमियों/निर्यातकों को सहायता दी जाएगी ताकि वे ऑनलाइन अंतर्राष्ट्रीय व्यापार में जुड़ सकें)

MCQ. Find correct statements relating to WTO: [UPSC-CDS-2014-II]

1. The WTO deals with the global rules of trade between nations.
2. The goal of the WTO is to help producers of goods and services, exporters, and importers conduct their business.
3. The WTO, which is a successor body of the General Agreement on Tariffs and Trade, came into being following the Uruguay Round of Negotiations.
4. The WTO distances itself in framing of rules on trade in intellectual property rights.

Codes: (a) 1, 2 and 3 (b) 2, 3 and 4 (c) 1, 2 and 4 (d) 1 and 3 only

35.11.4 🧐 WTO - positive as per 📖 ES25:

WTO had reduced tariffs among nations. (शुल्क बाधाओं में कमी की है)

% Tarrif on imported goods	2000	2024
India	48.9	17.3
China	16.4	8.3

FAQ: this data does not match with Trump's statements. Ans. I have copied from 📖 ES25.

35.11.5 🧐 WTO - negative as per 📖 ES25:

- Since Corona- 26,000+ new Non-tariff measures (NTM) restrictions have been imposed globally. NTMs harming 67% of the global trade. (गैर-शुल्क बाधाओं में बढ़ोतरी)
- Regional trade agreements (RTAs) ↑↑ from 22 (1990) to 369 (2024). (क्षेत्रीय व्यापार समझौते बढ़ रहे)
- bilateral trade is increasing among the nations with similar geopolitical stances. e.g. USA firms shifting their factories/business from China to US allies such as South Korea and Taiwan. Meanwhile Russia and Vietnam increasing their trade with China. (जिनके साथ भू राजनीतिक विचारधारा मिलती है, देश उनके साथ व्यापार ज्यादा कर रहे हैं)
- Conclusion? Nations slowly losing faith in the WTO model.

35.12 🧐 CONVENTIONAL GRAVITY MODEL (पारंपरिक गुरुत्वाकर्षण मॉडल)

⇒ Developed by Jan Tinbergen, a Dutch economist in 1960s.

⇒ It explains factors affecting trade between 2 countries: (दो देशों के बीच व्यापार को प्रभावित करने वाले कारक)

FACTOR	PROPORTION	EXAMPLE
Economic size/GDP (सकल घरेलू उत्पाद)	Directly proportional (सीधा अनुपात)	A country with a larger GDP will attract more trade and investment from a smaller GDP country. e.g. SriLanka-India vs Bhutan-India
Geographical distance (भौगोलिक)	Inversely proportional (विपरीत अनुपात)	more distance = less trade, due to transportation cost e.g. India-Mexico vs India-S.Africa



FACTOR	PROPORTION	EXAMPLE
दूरी/अंतर)		



Over the time more economists have added following factors

- Exchange rates (विनिमय दर)
- Income levels of customers (ग्राहकों की आय का स्तर)
- Tariff and non-tariff barriers (शुल्क और गैर-शुल्क बाधाएँ)
- Infrastructure, skilled manpower (बुनियादी अवसंरचना, कुशल मानव संसाधन)

Therefore signing free trade agreements may not immediately show +ve impact on India from day1. It takes time for above factors to mature/show effect. Said ES23 (इसलिए मुक्त व्यापार समझौता करने के पहले दिन से ही भारत पर सकारात्मक असर नहीं दिखेगा क्योंकि उक्त कारकों को परिपक्व होने में और अपना असर दिखाने में समय लगता है)

MCQ. If India enters into Free Trade Agreements (FTAs) with other nations, then the growth of exports of India would depend upon which of the following? (CDS-1-2024)

1. Extent of tariff reduction vis-à-vis MFN tariffs
 2. Extent of relaxation in terms of rules of origin
 3. Extent of relaxation in sanitary and phytosanitary measures
 4. Level of infrastructure in India
 5. Income in nations with which India enters into FTAs
- Code: (a) 1, 3 and 4 only (b) 1, 2 and 4 only (c) 2, 3 and 5 only (d) 1, 2, 3, 4 and 5

35.13 TRADE AGREEMENTS TYPES: व्यापार समझौते के प्रकार

1. **Partial Scope Agreement** (PSA: आंशिक व्यापकता समझौता): Trade between two countries for a small list of goods @reduced tariffs.
2. **Preferential Trade Agreement** (PTA: अधिमानी व्यापार समझौता) / Free Trade Agreement (FTA: निःशुल्क व्यापार समझौता): Member= lower tariff; non-members: regular tariff.
 - a. All FTAs are not same. Tariff and list of allowed goods/services could vary depending on country to country. E.g. India Mauritius Free trade agreement: Comprehensive Economic Cooperation and Partnership Agreement (CECPA)- More than 300 Indian goods from agriculture, textile, electronics will get concessional customs duties in Mauritius. More than 600 Mauritius goods will get Similar treatment in Indian market. (व्यापक आर्थिक सहयोग और भागीदारी समझौता जिसमें एक दूसरे पर रियायती सीमा शुल्क)



- b. Depending on number of participants it can be bilateral or multilateral or regional or global (e.g. WTO, ऐसे समझौते द्विपक्षीय बहुपक्षीय क्षेत्रीय या वैश्विक हो सकते हैं).
- c. If countries go further beyond just lower tariffs e.g. relaxed norms for entry of foreign investment (FDI) and foreign workers → then it becomes
- CEPA = Comprehensive Economic Partnership Agreement or
 - CECA = Comprehensive Economic Cooperation Agreement.
 - PHD over CEPA vs CECA = NOT IMPORTANT.** Sufficient to know- CEPA covers more areas than CECA. E.g. IPR, visa, investment, taxation etc.
- Sometimes they come up with even more fancy names like i) **CECPA** = Comprehensive Economic Cooperation and Partnership Agreement ii) **ECTA** (Economic Cooperation and Trade Agreement). But pedantry over all such terms = NOT IMP for Exam.
3. 📌 **Customs Union** (CU: सीमा शुल्क संघ): FTA in which members apply a common external tariff (CET) for non- members. E.g. East African Community (EAC). Caribbean Community (CARICOM, *although according to some sources now it evolved into Common Union but that is not imp. Location is imp.*)
4. 📌 **Common Market** (CM: सामान्य बाजार): Customs union where factors of production (capital/FDI, labour) can move freely amongst members e.g. MERCOSUR- S.America.
5. 📌 **Economic Union** (EU: आर्थिक संघ): common market where member countries keep common currency & tariff. Allow entry of goods, services, capital and labour among themselves with minimum restrictions. They decide their fiscal policies and diplomatic policies through a common parliament 'European Parliament', and their monetary policies through a common central bank – 'European Central Bank'.

35.13.1 🍷 FTA: India Mauritius FTA/CECPA, 2021 (मॉरिशस के साथ मुक्त व्यापार समझौता)

- ⇒ India Mauritius Free trade agreement: Comprehensive Economic Cooperation and Partnership Agreement (CECPA) came into effect from 1st April 2021.
- ⇒ More than 300 Indian goods from agriculture textile electronics will get concessional customs duties in Mauritius (300 से अधिक भारतीय निर्यात पर मॉरिशस द्वारा सीमा शुल्क में रियायत)
- ⇒ More than 600 Mauritius goods will get Similar treatment in Indian market

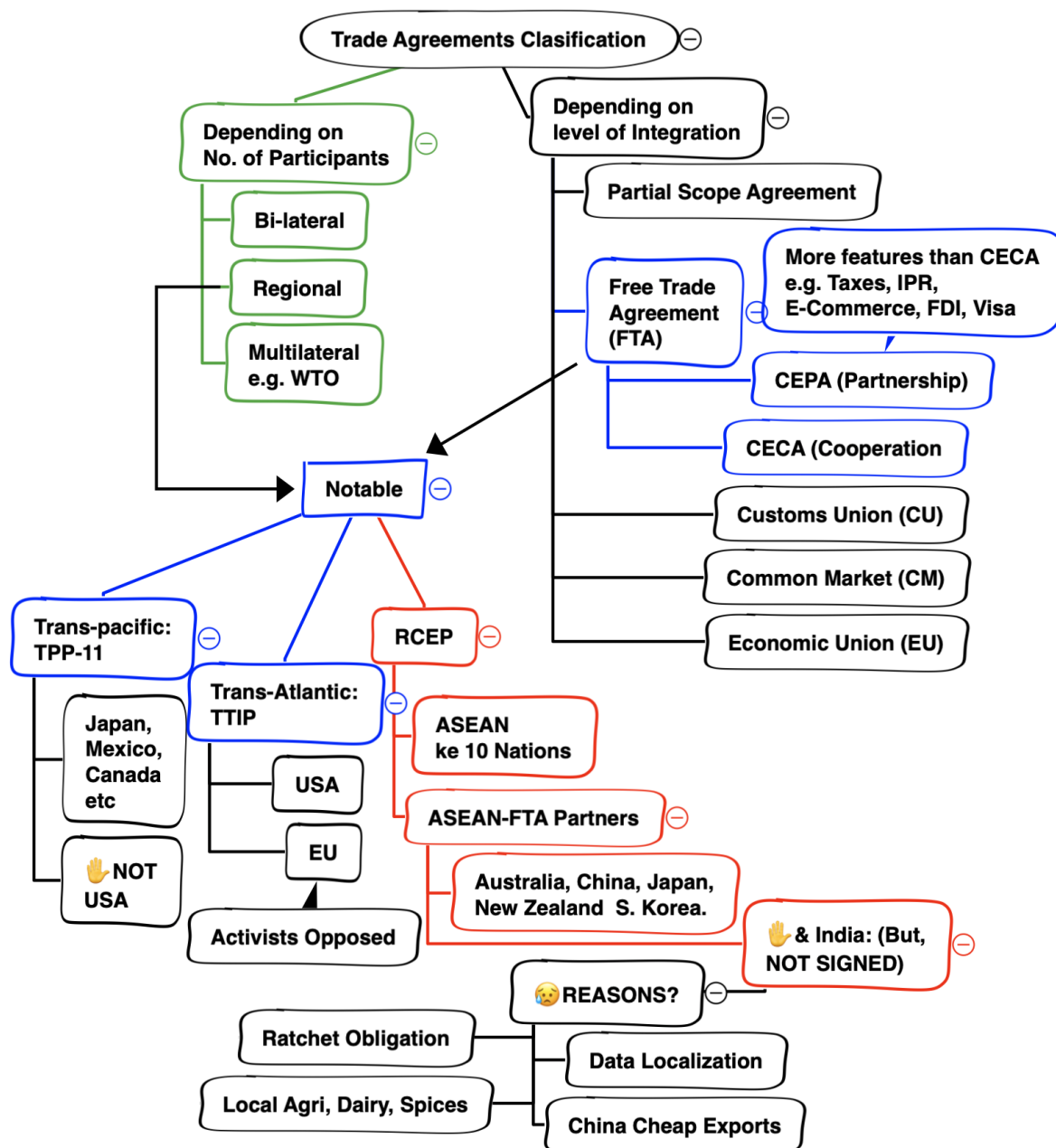
35.13.2 🍷 FTA: India UAE CEPA, 2022

UAE to ↓ taxes on Indian products	India to ↓ taxes on UAE products
Indian electronic goods, chemicals and petrochemicals cement, ceramics and machinery gems and jewelry, textiles, leather, footwear, sports goods, engineering goods, and pharmaceuticals.	90% of the goods/services from UAE to India.

- ⇒ 🍷 Agreement covers rules of origin, government procurement, intellectual property rights, and e-commerce etc. (उत्पत्ति के नियम, सरकारी खरीद, बौद्धिक संपदा अधिकार, इ-वाणिज्य)



- ⇒ 🇮🇳 India-UAE CEPA marks the first time India has included a chapter on e-commerce/ digital trade in an FTA. (ये भारत का पहला ऐसा व्यापारिक समझौता है जहाँ पर डिजिटल व्यापार की भी बात हुई है)
- ⇒ 🇮🇳 This will give big market access to Indian exports to UAE → further towards not only in UAE, but also in Middle East and Africa.



35.13.3 🇮🇳 FTA: India Australia ECTA (आर्थिक सहकार और व्यापार समझौता)

India-Australia Economic Cooperation and Trade Agreement (IndAus ECTA-2022)

🇮🇳 Aussie to ↓ taxes on Indian products	🇮🇳 India to ↓ taxes on Aussie products	🇮🇳 India kept these sensitive items OUT
Engineering goods, gems and jewellery, leather, textiles, apparel, footwear-	0% customs duty on Coal, sheep meat, wool, LNG, alumina, metallic ores, Avocados, onions,	Australian Dairy products, wheat, rice, sugar, chickpeas, beef, apples, toys,



🇦🇺 Aussie to ↓ taxes on Indian products	🇮🇳 India to ↓ taxes on Aussie products	🇮🇳 India kept these sensitive items OUT
total 96% of India's exports to Australia.	pistachios, blackberries, cashews, blueberries, raspberries. ↓ Customs duty on – wine, almond, cotton, orange, lentil etc	iron ore . Indian govt will not ↓ taxes on above Aussie items.
🇮🇳 This create 1 million+ jobs in India (रोज़गार सृजन / नौकरी निर्माण)	🇮🇳 This will help Indian for energy security, cheap raw material (ऊर्जा सुरक्षा और सस्ता कच्चा माल भारत को मिले)	🇮🇳 This will protect the local Indian industry

- 🇦🇺 🇮🇳 Australian govt relaxed Work-visa norms for Indian graduates from STEM (Science, Technology, Engineering and Mathematics).
- 🇮🇳 🇦🇺 faster approval to Indian medicines in Australian market (if such medicine is already approved in Canada / European Union) (यदि भारत की दवाई को कैंनेडा/ यूरोपीय संघ ने अनुमति मिल चुकी है तो ऑस्ट्रेलिया में उसे जल्दी से अनुमति दी जाएगी।)
- 🇮🇳 🇦🇺 double taxation avoidance agreement for specific category of IT companies. (More in Pillar#2B: Tax Avoidance) (सूचना प्रौद्योगिकी से जुड़ी कंपनियों पर दोहरे कराधान से मुक्ति इत्यादि)
- 🇮🇳 🇦🇺 bilateral trade will ↑ to \$50 billion within 5 years and generate 1 million+ jobs in India.

35.13.4 🇮🇳 🇪🇺 India-EFTA Trade and Economic Partnership Agreement (TEPA) 2024-Mar



- 1960: European Free Trade Association (EFTA) organization with 4 nations viz. Switzerland, Iceland, Norway & Liechtenstein. (यूरोपीय मुक्त व्यापार संघ (ईएफटीए))
- 2024: EFTA-India signed Trade and Economic Partnership Agreement (TEPA) (व्यापार और आर्थिक साझेदारी समझौता) with following features:
- EFTA will do FDI of USD 100 billion in India in the next 15 years → and this (FDI) will help creating 1 million direct jobs in India. The investments do not cover foreign portfolio investment (FPI). (इन यूरोपियन देशों ने भारत में 100 बिलियन डॉलर का प्रत्यक्ष विदेशी निवेश और एक मिलियन नौकरियां निर्मित करनी होगी - अगले 15 सालों में)
- **First time** in the history of FTAs, a **legal commitment** is made to FDI and job creation. (इतिहास का सबसे पहले मुक्त व्यापार समझौता जिसमें निवेश और रोजगार सृजन की बातें कानून रूप से बाध्य होंगी।)
- Tax reduction on import/export of more than 90% of items.
- However, gold, dairy, soya, coal and sensitive agricultural products are kept in exclusion list (= no tax reduction on them). (इनके आयात निर्यात में टैक्स/करो में कोई छूट नहीं दी जाएगी।)
- Mutual Recognition (of college degrees) in Professional Services like nursing, chartered accountants, architects etc. (एक दूसरे की व्यवसायिक पदवी/डिग्रियों को मान्यता दी जाएगी)

MCQ. India signed TEPA with EFTA. Which one of the countries is not a member of this group? (CDS-2024-2) (a) Switzerland (b) Norway (c) Iceland (d) England



35.13.5 🌐 Interim (early harvest) trade agreement (शादी से पहले सगाई)

- ⇒ Signed between two countries on a small list of goods and services. (एक “अंतरिम व्यापार समझौता” जिसमें वस्तुओं और सेवाओं की एक छोटी सूची पर टैक्स कम किए जाएं)
- ⇒ They act as a frontrunner before signing a more comprehensive free trade agreement (FTA).
- ⇒ 2022: India and UK were exploring to sign an “early harvest trade agreement” covering some 40-65% goods and services. In the final free trade agreement (FTA) agreement, we aim to cover more goods/services’ import export. (बाद में बड़ा मुक्त व्यापार समझौता करेंगे.)
- ⇒ Similarly, India-Canada Early Progress Trade Agreement (EPTA).

35.13.6 🇬🇧🇮🇳 India & UK Comprehensive Economic and Trade Agreement (CETA), 2025

- UK to have 0% tax on 99% of Indian goods, textiles, footwear, and seafood, etc.
- India to reduce taxes on British whiskey and gin Automobiles (luxury car), cosmetics, aerospace products, lamb, medical devices, salmon, electrical, soft drinks, chocolate, biscuits
- Easier Work Visa. Social Security contribution exemption for worker (Ref Totalisation Pact 1D2/Pension)
- We’ll respect intellectual property rights, copyright etc of each others’ companies.

35.13.7 🌐 India UK FTA: source-code mandate exemption

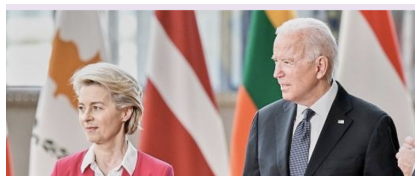
Before	After
if Government purchased any software, it would require the software company to disclose the source code to prevent hack / data-theft	India UK-FTA = Both nations given given an exemption from source-code mandate to IT/Software companies
Software company feared that revealing source code of software would help their rival companies steal/copy their software design.	fear removed.

35.14 🛒🌐📝 FREE TRADE AGREEMENTS → TPP, TPP11, TATIP, IPEF, RCEP

35.14.1 🛒🌐📝 Transatlantic Trade and Investment Pact (TTIP) #NOT-yet-Signed

- ⇒ अंतर-एटलान्टिक व्यापार एवं निवेश समझौता:
- ⇒ Proposed free trade agreement between USA & EU with objectives similar to TPP- reduce tariff, easier entry of foreign investment etc. Negotiations are ongoing but it is not yet signed.

35.14.2 🦅 U.S.-E.U. Trade and Technology Council (TTC) (2021)



**व्यापार और
टेक्नोलॉजी के मामले
में सहयोग करते हैं**

2021: Started by President Biden to coordinate technology and trade policy between the United States and European Union - with 5 areas of cooperation

- 1) Export controls
- 2) Foreign direct investment screening
- 3) Secure supply chains (especially semiconductors)
- 4) Technology standards & Artificial Intelligence
- 5) Global trade challenges



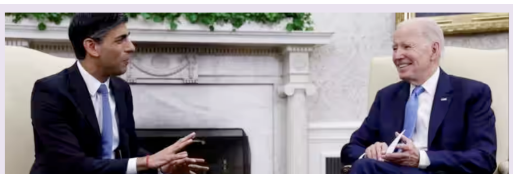
MCQ. Statement-A: Recently, the United States of America (USA) and the European Union (EU) have launched the 'Trade and Technology Council'. [Prelims23-SET-A-Q087]

Statement-R: The USA and the EU claim that through this they are trying to bring technological progress and physical productivity under their control.

- A) Both A and R are true and R is the correct explanation of A.
 B) Both A and R are true but R is not the correct explanation of A.
 C) A is true but R is false. D) A is false but R is true.

35.14.3 🦅 Atlantic Declaration - USA-UK (2023-June)

**रूस, चीन और
आतंकवादियों के
खिलाफ कुछ करते हैं**



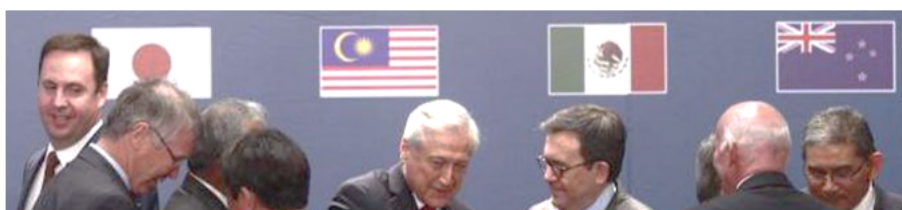
Objective? To ensure international stability -- from

1. Authoritarian states e.g. Russia & China
2. Disruptive technologies e.g. A.I, Blockchain
3. Non-state actors e.g. Terrorists
4. Transnational challenges e.g. climate change

35.14.4 🛒🗺️📄 Trans Pacific Partnership (TPP: ट्रांस पैसिफिक साझेदारी) #FAIL

USA proposed free trade agreement among 12 countries: US, Japan, Malaysia, Vietnam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile and Peru.

- Aimed to have lower tariffs for participant countries, easier norms for labour, environment and investment. भागीदार देशों के लिए टेक्स/करो में कमी, श्रम, पर्यावरण और निवेश के लिए आसान मानदंड।
- 2016: President Trump withdrew from the negotiation claiming, “TPP will take away jobs from USA because companies will setup factories in Mexico where labour is cheaper, and then such cheap products will be dumped in USA, yet we’ll not be able to impose heavy taxes on them.” So TPP has become defunct.



35.14.5 🛒🗺️📄 TPP-11 or CPTPP

- While USA-led TPP could not materialize, but some of the nations in Pacific region separately worked out a ‘Comprehensive and Progressive Agreement for Trans-Pacific Partnership’ (CPTPP or commonly called TPP-11) in 2018-Dec.
- **Presently, it has 11 signatories:** Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

35.15 🌐🤝👤 **INDO-PACIFIC ECONOMIC FRAMEWORK (IPEF)**

⇒ Intro-Origin: 2022- USA launched it on the sidelines of QUAD Summit in Tokyo, Japan.



- ⇒ President Biden launched IPEF bcoz 1) Trump pulled out of TPP11. Now President Biden need to make friends again in Pacific 2) To counter RCEP, China's Belt-Road-Initiative. (3) ↑ influence over Asia. (एशिया पैसिफिक में अपना प्रभुत्व वापस पुनः स्थापित करने के लिए अमेरिका की मुहिम है ये)
- ⇒ includes 14 partners – Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, United States and Vietnam
- ⇒ IPEF is not a traditional trade agreement. Has four pillars: (परम्परागत व्यापार समझौता नहीं।)

Pillar	Matter	India's status as of 2024-Sept
Pillar I	Trade	Observer.
Pillar II	Supply Chain Resilience (आपूर्ति श्रृंखला लचीलापन)	Signed and Ratified.
Pillar III	Clean Economy	Signed 2024-Sept
Pillar IV	Fair Economy: combat corruption, tax-evasion	Signed 2024-Sept

35.15.1 🌐🤝👤 IPEF → Clean Economy Investor Forum (CEIF)

IPEF launched Clean Economy Investor Forum (CEIF) to mobilise funding into sustainable infrastructure, climate technology and renewable energy projects.

Org	India's Nodal organisation?
IPEF	Department of Commerce
IPEF → Clean Economy Investor Forum (CEIF)	Invest India - a company started by Commerce Ministry. It acts as India's National Investment Promotion Agency.

35.16 🛒🏏📝 REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)



महफिल में तेरी हम ना रहे जो राम तो नहीं है, राम तो नहीं है

35.16.1 📝 Introduction to RCEP

- RCEP (व्यापक आर्थिक भागीदारी का क्षेत्रीय समझौता) is a proposed free-trade agreement (मुक्त व्यापार समझौता) between the 10 ASEAN countries and ASEAN's six Free-Trade Agreements partners viz. Australia, China, India, Japan, New Zealand and S. Korea. (मुक्त व्यापार समझौता)
- 2019: India refused to sign it- mainly fearing the damage to Indian dairy, spices, MSME industry from from China, New Zealands (dairy) etc. More Analysis given in Mains HDT.
- 2022: ASEAN-India Trade in Goods Agreement (AITIGA) negotiations going on.

AB CD ? MCQ. Consider the following countries:(Asked in UPSC-Pre-2018)

1.Australia 2.Canada 3.China 4.India 5.Japan 6.USA

Which of the above are among the 'free-trade partners' of ASEAN?

(a) 1, 2, 4 and 5 (b) 3, 4, 5 and 6 (c) 1, 3, 4 and 5 (d) 2, 3, 4 and 6

35.16.2 Why FTA increasing as per 📖 ES23

⇒ Free trade agreements between nations are increasing because



- ⇒ Recent WTO summits have failed to give positive outcomes, due to bickering among nations over Doha Development Agenda, Food Subsidy etc. (वर्तमान समय में डब्ल्यूटीओ परिषद बहुत सकारात्मक परिणाम नहीं दे सकी, क्योंकि सदस्यों में आपसी मनमुटाव और पुराने मामलों पर झगड़े चलते रहते हैं)
- ⇒ Free Trade Agreements are much easier to finalise than WTO agreements because friendly nations show more flexibility towards each other. (e.g. Compared to USA vs China on Doha Agenda) (डब्ल्यूटीओ के मुकाबले मुक्त व्यापार समझौते आसानी से निपट जाते हैं क्योंकि मित्र राष्ट्र एक दूसरे के प्रति ज्यादा लचीला रवैया दिखाते हैं)

FTA give following benefits to member nation:

- ⇒ Easier access to raw materials after tax-cuts. (कच्चा माल सस्ते दामों पर मिले.)
- ⇒ Lower prices for consumers (ग्राहकों के लिए भी सस्ती कीमतें)
- ⇒ increasing customers/market size for export products (ग्राहकों में बढ़ोतरी)
- ⇒ Protecting against unfavourable trade policies of other countries, by finding new friends. e.g. China vs India-Aussie. (अन्य देशों की नकारात्मक नीतियों के खिलाफ लिए नए दोस्त खोज लिए जाएं)
- ⇒ promoting peace and stability (शांति और स्थिरता.)

35.16.3 📦 Budget-2020: FTA 'rules of origin' (उत्पत्ति के नियम)

- 1998: India - Sri Lanka FTA. So ink manufactured in Sri Lanka = 0% Indian customs duty when imported in India.
- But sometimes Chinese company manufacture ink bottles in China, transports to its Sri Lankan company → Sri Lanka's (phoney/namesake) company pastes a label "*this bottle manufactured in Sri-Lanka*" → sell them in India @0% customs duty?
- So, FTA agreements contain 'rules of origin'. Which requires that minimum x% manufacturing/processing/value addition must be done in originating country (Sri Lanka in our example) before it's eligible for 0% customs duty.
- Originating country (Sri Lanka) cannot dump goods from some third country (China) in the Indian market by just putting a label on it. (ताकि, उद्गम/ निर्यात करता देश किसी तीसरे देश की वस्तुओं पर अपना लेबल चिपका के भारत में कर-मुक्ति के साथ न बेच सके.)

35.16.4 📄 Commerce Ministry: Certificate of Origin (उद्गम प्रमाण पत्र)

- ⇒ India has signed a free trade agreement with many countries. Such agreements provide that foreign partner nations will levy 0% or reduced taxes on the imported items of India.
- ⇒ But for this, Indian exporters need to submit a document to the Foreign partner country' landing port that "*indeed the item was manufactured and sent from India.*"
- ⇒ Such Certificate of Origin (CoO) is issued by the Director general of foreign trade under the commerce ministry. (भारत से निर्यात किया गया सामान भारत द्वारा ही बनाया गया है ऐसा प्रमाण पत्र ताकि मित्र राष्ट्र उस पर मुक्त व्यापार समझौते के अंतर्गत टैक्स में रियायत दे)

35.16.5 🛒📄 Trade agreements losing shine → NAFTA & SAFTA

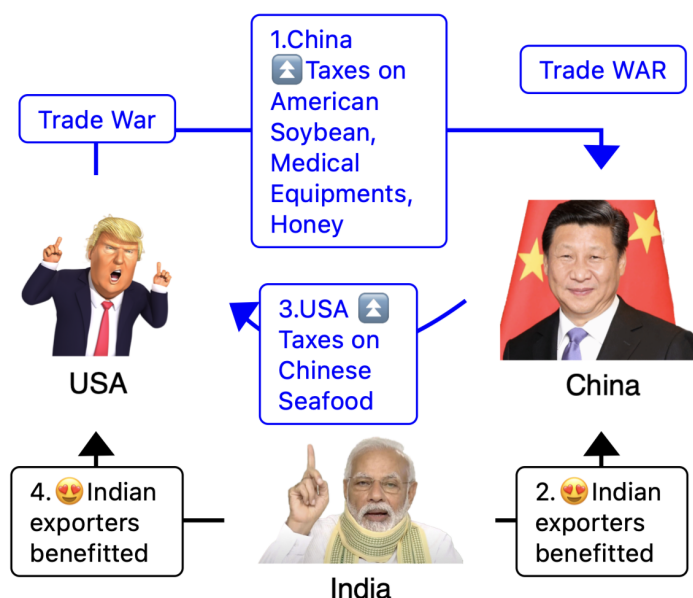
NAFTA	➤ North American Free Trade Agreement; उत्तरी अमेरिका निशुल्क व्यापार समझौता (1994)
1994	involves Canada, USA and Mexico.



	➤ However, Trump felt NAFTA harms the American interests → 2018: He made a deal with Mexico and Canada to replace NAFTA with a new agreement called United States-Mexico-Canada-Agreement (USMCA).
SAFTA 2004	➤ South Asian Free Trade Area (दक्षिण एशियाई मुक्त व्यापार क्षेत्र) is a trade agreement of SAARC nations- Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. ➤ 2016: India refused to attend SAARC Annual summit @Pakistan, after Uri-Attack. In 2019 India raised duties on Pakistani goods so SAFTA's is losing its shine.
AFCFTA 2019	➤ African Union (AU) members have signed the African Continental Free Trade Agreement (AfCFTA) covering 54 nations.

35.17 BURNING ISSUES IN INTERNATIONAL TRADE

35.17.1 Protectionism, Trade war in Trump 1.0 (2017-21): संरक्षणवाद, व्यापार युद्ध



➤ Refer to Mains Handout

35.18 TRUMP'S RECIPROCAL TARIFF- 2025-APR (पारस्परिक टैरिफ/शुल्क युद्ध)

Note: I'm NOT daily updating this section because every day Trump's decision changes.

- US President Donald Trump imposed higher tariff on countries with (a) large trade deficits and/or (b) higher taxes on American products. (जिन देशों के साथ अमेरिका का भारी व्यापार घाटा है या वह देश जो अमेरिकी उत्पादों पर बहुत ज्यादा टैक्स लगते हैं - उनपे ट्रम्प ने भारी टैरिफ/शुल्क लगाया.)
- He imposed it even on nations where USA enjoys a trade surplus, such as the UK, Brazil, Singapore, and Colombia.
- Policy-objectives (1) to force other nations to reduce taxes on American products and (2) encourage companies to set up factories in the US to avoid high tariffs.

35.18.1 Ball by ball commentary: 90 days pause, China retaliates

- 2025/April/2nd: started. But then everyday some new rate changes occur.
- 2025/April/9th: China hikes tariffs on US goods to 84%.



- 2025/April/10th: Trump hikes tariff on Chinese goods to 125%. Trump also announced 90-day pause on tariffs on all Nations- except
- (1) China (bcoz China 'disrespected' him.)
- (2) Canada and Mexico. (Bcoz of narco-drug fentanyl smuggling.)
- other nations will be subjected to 10% tax for next 90 days.
- 2025- India pe kabhi 25% kabhi 50% kabhi 100% depending on Trump's latest mood/fantasy.

35.18.2 🦅 Trump's Reciprocal tariff- Impact on India

Positive^^	Negative
India's smartphone and solar module exports. Because India's competitor Vietnamese subjected to higher tariff (46%)	India's gems jewellery sector.
India's textile exports against Bangladesh and Vietnamese exports.	
India steel and aluminum vs Chinese metal.	
India's Pharma (however, later Trump threatened to impose more tax on it)	

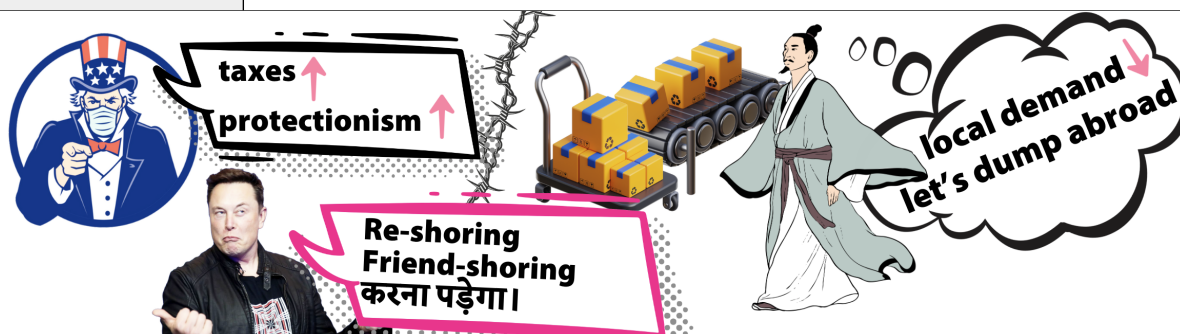
- ^^ Note: Columnists/ experts divided on which sectors will benefit /harmed. because ultimately if tax is increased from say 10% to 25%, Americans are going to buy less 'quantity' of Indian products also- for every sector, compared to the past, even if taxes on Indian items are lower than Chinese items.
- More analysis in Mains course. Because daily, some new development is coming.

35.18.3 Tariffs war happening since colonial times, Learn from S.Korea - says 📘ES25:

Refer to Mains Handout for analytical points.

35.18.4 Re-shoring, Friend-shoring, HomeShoring

Term	Meaning
Re-shoring (फैक्ट्रियों की बतन वापसी)	companies moving back to home country from overseas. e.g if Tesla moves plant from China to USA
Friend shoring (मित्र राष्ट्रों में विस्थापन)	acquiring the components/relocating factories to countries that are politically or economically aligned with the company's home country. (e.g. Apple shifting factories from China to India.)
Home-Shoring	When companies allow employee to work from their homes rather than in a company's office or factory.



35.18.5 China shock 2.0, China+1 Strategy, Economic Decoupling

Refer to pill-4D HDT.



35.18.6 USA's lists/mechanisms related to Trade / IPR

35.18.7 🌐🛒🍊 USA's Special 301 report



Annual report that lists the countries who are harming the Intellectual Property Rights: (IPR: बौद्धिक संपदा अधिकार)- copyrights, patents and trademarks of American companies.

- These countries are classified into categories such as "Priority Foreign Country" (Most dangerous) > "Priority Watch List" > "Watch List" etc.
- Depending on classification, USA will complaint to WTO and / or spend money on those countries to ↓ piracy (e.g. *training and capacity building of Russian police officers & China's cybercrime courts etc.*).
- 2018: India, Russia, China etc. are in priority watchlist. Mainly because of their hackers, movie piracy, counterfeit products; India because of its drug patent norms & NPPA which reduce the profitability of US pharma companies' patented drugs.

35.18.8 🌐🛒🍊 USA's Generalized System of Preferences (GSP) list

यूएसए की प्राथमिकताओं की सामान्यीकृत प्रणाली सूची

If a developing country's name is in this list, its exports will be subjected to zero/lower import duties in USA (for selected products only). (विकासशील देशों से अमेरिका जाने वाले कुछ वस्तुओं पर अमेरिका, टैक्स कम लगाएगा)

- 2019: Trump removed India from GSP list, citing India has imposed heavy import duties on Harley Davidson bikes and other American exports. (हालाँकि ट्रम्प ने भारत को इस सूची से हटा दिया था)
- As such most of the Indian exported goods to USA are not in the GSP list in the first place, so this blacklisting will not harm India much, albeit, Indian textile companies are worried that GSP-removal will make Indian garments more expensive in USA.

35.18.9 🌐🛒🍊 Global System of Trade Preferences

Deleting from handout because faded topic.

35.18.10 🇬🇧👋 BREXIT = BRITAIN EXIT & How will affect India?



Shifted to Mains. #RAFTAAR

AB CD ? MCQ. The term 'Digital Single Market Strategy' seen in the news refers to (Pre-2017)

- (a) ASEAN (b) BRICS ☒ (c) EU (d) G20

AB CD ? MCQ. 'Broad-based Trade and Investment Agreement (BTIA)' is in the context of negotiations between India and _ _ _ (Asked in UPSC-Pre-2017)

- ☒ (a) European Union (b) GCC (c) OECD (d) SCO

☒ Note: I've directly ticked the answer for these TWO MCQs, as these terms are outdated CA for 2024-25. I gave MCQ here only for your observation.



MCQ. Which of the following statements about ASEAN are correct? (CDS-2023-ii)

1. The Chairmanship of ASEAN rotates annually based on the alphabetical order of the English names of Member States.
2. The Chairmanship is decided by voting among the Member States.
3. "One Vision, One Identity, One Community" is the ASEAN motto.
4. 12th August is celebrated as ASEAN Day.

Codes: (a) 1 and 2 only (b) 1 and 3 only (c) 3 and 4 only (d) 1, 2, 3 and 4 <see next sec.4topic note>

MCQ. Find correct about SCO? (CDS-2024-2)

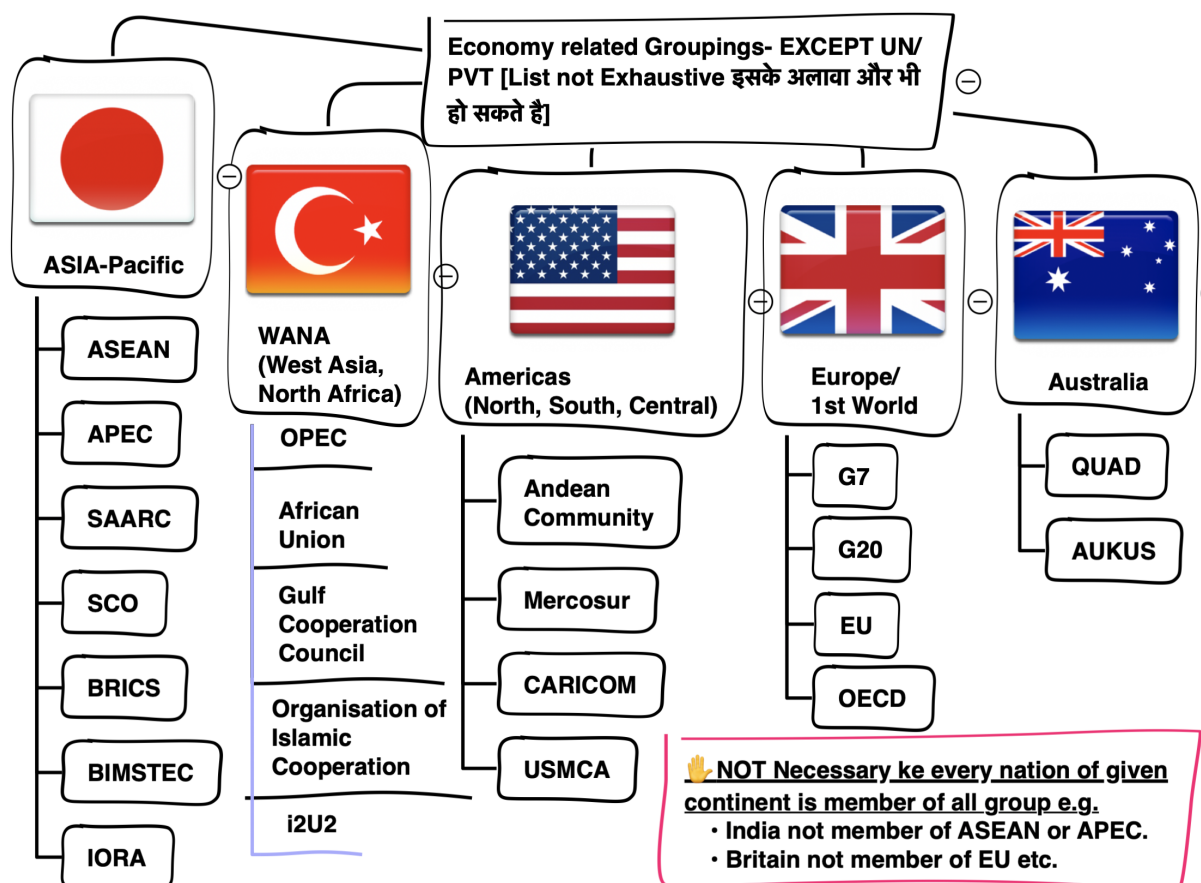
1. The official languages of the SCO are Russian and Chinese.
2. The SCO enjoys observer status in the UN General Assembly.
3. The SCO consists of 13 member states.

Codes: (a) 1 only (b) 1 and 3 (c) 1 and 2 (d) 2 and 3 <see next sec.4topic note>

MCQ. Which of the following are the objectives of SAARC ? (CAPF-2023)

1. To promote the welfare of the peoples of South Asia and to improve the quality of life
2. To promote and strengthen collective self-reliance among the countries of South Asia
3. To contribute to mutual trust, understanding and appreciation of one another's problems
4. To work towards ending cross-border terrorism

Codes: (a) 1 and 2 only (b) 1, 2 and 3 only (c) 1, 2, 3 and 4 (d) 3 and 4 only





36 OTHER NOTABLE GROUPINGS RELATED TO ECONOMY

36.1 GROUPINGS: INDIAN SUBCONTINENT

SAARC, 1985	BIMSTEC, 1997
HQ: Kathmandu, Nepal (1985)	Dhaka, Bangladesh (1997)
8: Afghanistan, Bangladesh, Bhutan, India, Nepal, Maldives, Pak & Sri Lanka.	7 members: Bangladesh, India, Myanmar, Sri Lanka, Thailand, Nepal and Bhutan.
South Asian Association for Regional Cooperation दक्षिण एशियाई क्षेत्रीय सहयोग संघ	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) बहुक्षेत्रीय तकनीकी और आर्थिक सहयोग के लिए बंगाल की खाड़ी पहल
- 2016: summit @Islamabad cancelled after India and others boycotted due to Uri attack. - Then no annual summits in 2017, 2018 etc. - SAFTA free trade agreement losing its shine due to non-cooperation after Pakistan's terror attacks on India.	- 2025-Apr: 6th Summit @ Bangkok, Thailand. themed "<i>Prosperous, Resilient, and Open BIMSTEC</i>". -  Bitter areas: Myanmar coup & Rohingya crisis → outflow of refugees India and Thailand. (म्यानमार शरणार्थियों की समस्या के चलते आपस में थोड़ी कड़वाहट)

- India has setup South Asian University (SAU-2010) @ Delhi (2010) for SAARC students.
- India launched South Asia Communication Satellite (GSAT-9) in 2017 to provide tele-medicine, tele-education, banking, television broadcasting facilities to SAARC nations.

36.1.1 Mekong- Ganga Cooperation (2000)

India + five of the ASEAN countries, namely, Cambodia, Laos, Myanmar, Thailand and Vietnam. for cooperation in tourism, culture, education, transport, communications. (पर्यटन, संस्कृति, शिक्षा, परिवहन, संचार). Mekong river starts from China → flows through Myanmar, Laos, Thailand, Vietnam, Cambodia → drains in South China Sea.

36.2 GROUPINGS: ASEAN VS SCO

ASEAN	SCO
Association of Southeast Asian Nations : दक्षिण पूर्व एशियाई राष्ट्र संघ	Shanghai Cooperation Organization : शंघाई सहयोग संगठन
1969 → Bangkok declaration → HQ: Jakarta, Indonesia. 8th August is celebrated as ASEAN Day.	- 2001 → HQ: Beijing, China. - Regional Anti-Terrorist Structure (RATS) @Tashkent, Uzbekistan
10 Members: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. Chairmanship of ASEAN rotates annually based on the alphabetical order of the English names of Member Nations.	- 6 founding members: Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. - +2 new members: India & Pak (2017) - +1 new member: Iran (2023) - official languages of the SCO are Russian and Chinese.
- 2018: marked the 25th Anniversary of ASEAN-India Dialogue Relation, their	✓ 2002: SCO enjoys observer status in the UN General Assembly. ✓ 2017: SCO summit at Astana, Kazakhstan →



ASEAN	SCO
leaders were invited to India → Delhi declaration with the theme “Shared Values, Common Destiny” - Their 10 leaders also graced our 26th January 2018 Republic Day parade as chief guests. - Summits: 2024-Laos, 2025-Malaysia, 2026-Philippines	India, Pak formally given membership. ✓ 2024-Oct: SCO Annual council of Heads of the Govt summit- @Islamabad, Pak. India's minister S Jaishankar attended. ✓ 2025-Sept: SCO summit at Tianjin, China. Modi attended. Xi Jinping calls for 'Global Governance Initiative' targeting against (Trump's) Cold War mentality, hegemony and protectionism

36.2.1 🇨🇳🇮🇳🇨🇳 Tianjin troika summit (2025)

Refers to the unofficial gathering of leaders from Russia, India, and China (RIC) on the sidelines of the Shanghai Cooperation Organisation (SCO) Summit, held in Tianjin, China in 2025

36.2.2 🇦🇫🇨🇳🇮🇳 Afghanistan 6+2+1 group for redevelopment of Afghanistan

6: neighbouring countries: China, Iran, Pakistan, Tajikistan, Turkmenistan and Uzbekistan;
+ 2 global players the United States and Russia, and +1: Afghanistan itself.

36.3 🌐🇨🇳🇮🇳 GROUPINGS: OCEAN-RIM WALLA

Indian Ocean Rim Association (IORA); हिंद महासागर रिम/किनारा एसोसिएशन (IORA)	Asia-Pacific Economic Cooperation (APEC) एशिया-प्रशांत आर्थिक सहयोग
22 Indian Ocean rim nations. India is a member. China-USA are dialogue partners.	21 Pacific Rim ocean economies. India is not a member, China-USA are members.
Setup in 1997, HQ: Ebene, Mauritius	1989, HQ: Singapore
Ans. Poor cost-benefit in memorizing it.	➤ India is keen to become member but not yet added.

36.4 🌐🇨🇳🇮🇳 GROUPINGS: BRICS

Year	Event
2001	Economist Jim O'Neill coined the term BRIC
2009	First summit by Brazil, Russia, India, China and South Africa.
2011	S.Africa joined as member
2014	BRICS New Development Bank (NDB) formed
2023	Summit @Johannesburg, S.Africa. Theme: “BRICS and Africa: Partnership for Mutually Accelerated Growth, Sustainable Development and Inclusive Multilateralism”.
2024	Summit @Kazan (Russia). Outcomes? Ref Mains HDT.
2025	Summit @Brazil's Rio de Janeiro.

- Role of secretariat is played by its **pro tempore presidency**. e.g. 2022: China, 2023: S.Africa
- BRICS aims for **3 pillars of cooperation**:



- - (1) Political and Security Cooperation
- - (2) Financial and Economic Cooperation
- - (3) Cultural and People-to-People Cooperation

36.4.1 BRICS membership as of 2025-Jan

- - **11 full members:** Brazil, Russia, India, China, South Africa, Saudi Arabia, Egypt, United Arab Emirates, Ethiopia, Iran and Indonesia. (Indonesia added in 2025-Jan)
- - **Partner countries:** Belarus, Bolivia, Cuba, Kazakhstan, Malaysia, Thailand, Uganda, Uzbekistan Nigeria
- - **Application Pending:** Turkey, Azerbaijan.
- - BRICS Invited, **Argentina** but Argentina rejected invitation. (2023)
- - BRICS Invited **Saudi Arabia**, but Saudi not confirmed yet.

Note: This is the situation as of 2025-Jan from theHindu. I don't follow ball by ball commentary on IR-groupings. Please check the IR courses/ monthly magazines for it.

36.5 🌐🤝 GROUPINGS: BRICS, OECD, OPEC & JAI

OPEC, 1961	- Organization of the Petroleum Exporting Countries: पेट्रोलियम निर्यातक देशों का संगठन- 1961 HQ@Vienna, Austria. - a group of oil producing countries Saudi, UAE, Venezuela, Iran, Iraq etc.... total 14 members. Qatar withdrew from 1/1/19. Russia is NOT a member.
OECD, 1961	- Organisation for Economic Co-operation and Development: आर्थिक सहयोग तथा विकास संगठन-1961 HQ@Paris, France. - Works for International cooperation in the matters of economy and taxation. Known for Base erosion and profit shifting (BEPS) Norms. India is not a member.
NAM 1961	- Non-Aligned Movement was founded under the leadership of Josip Broz Tito of Yugoslavia, Gamal Abdel Nasser of Egypt, Jawaharlal Nehru of India, Kwame Nkrumah of Ghana, and Sukarno of Indonesia. - They advocated 3rd world nations to abstain from allying with USA/USSR during Cold war. (शीत युद्ध के दौरान असंयुक्त रहने का आंदोलन) - Member nations are in Asia, Africa, Latin America, Caribbean, and Europe.
2+2	e.g. India Japan 2+2 = meeting of foreign minister & defense minister from each side.
JAI 2018	Prime Minister Narendra Modi, US President Donald Trump and Japan Prime Minister Shinzo Abe met in a trilateral format in the sidelines of G-20 Summit in Buenos Aires, Argentina. It was called the first-ever 'JAI- <i>trilateral</i> ' meeting. Objective? Economic growth, common prosperity
QUAD	• - Quadrilateral Security Dialogue is a strategic dialogue / group of political democracies, market economies and pluralistic societies. between the United States, Japan, Australia and India. (चतुर्भुज सुरक्षा संवाद : रणनीतिक संवाद, लोकतंत्र बाजार आधारित अर्थतंत्र और एकाधिकतत्ववादी समाजों का एक समूह) • 4th Quad Summit @ US Pres Joe Biden's home town of Wilmington, Delaware, USA. Outcomes? Ref Mains HDT
AUKU S	2021: This trilateral security pact between Australia, the United Kingdom. Under the pact, the US and the UK will help Australia to acquire nuclear-powered submarines.



	France doesn't like this, because earlier they were going to sell submarine to Australia
Paris Club (1956)	- Paris Club: Informal group of nations that help a debtor nation when debtor nation facing loan repayment problems. Members include Australia, Canada, France, Germany et cetera. India is an observer state (meaning not full member yet)
IBSA	- India Brazil South Africa dialogue group (2003)

MCQ. Which of the following statements about Quad is/are correct? (CAPF-2023)

1. It is a group of four countries, namely, India, Australia, USA and France.
2. Maritime cooperation is an important binding force among members of the Quad.
3. The Quad members formed a working group on COVID-19 vaccines.

Codes: (a) 1 only (b) 1 and 2 only (c) 2 and 3 only (d) 1, 2 and 3

36.6 🌐🤝 **G20 SUMMIT AT INDIA**

- 1999: A club of finance ministers and central bank governors- started in response to the East Asian financial crisis of 1997-98 (Refer: capital account convertibility topic in pillar3B)
- **2008:** membership expanded in response to USA-Subprime/ global financial crisis
- Before 2023: **It had 19 nations + 1 EU as member:** - Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, UK, USA AND EU
- **2023:** African Union (made up of 55 countries in the African continent) is given full membership- similar to the EU.
- **G20 Common Framework:** G20 + Paris Club together devised a framework to help the low-income countries in its loan repayment problems (2020)
- **Summits:** 2024-Nov: Brazil's Rio de Janeiro, 2025-Nov: South Africa's Johannesburg

36.6.1 🌐🤝 **G20: 3 tracks**

G20 operates through 3 main tracks: (1) Finance Track, (2) Sherpa Track, (3) Engagement Groups.

Track	Objectives
(1) Finance	issues related to Taxation, Infrastructure finance, Financial Inclusion of the poor etc
(2) Sherpa Track	Socio-economic issues like agriculture, anti-corruption, climate change, digital economy, education, employment, energy, environment, health, tourism etc. Here, each member send an official called Sherpa. e.g. India's SHERPA = Amitabh Kant (Retd. IAS)
(3) Engagement Groups	Non-governmental representatives' Groups e.g. Business20, Civil20, Labour20, Parliament20, Science20, SAI20 (Supreme Audit Institutions), Startup20, Think20, Urban20, Women20, and Youth20.

36.6.2 🌐 **G20 Summit- 2023: 18th Summit @New Delhi, India: theme and logo**

- G20 Summit is held annually with a rotating presidency
- G20 does not have a permanent secretariat and is supported by the previous, current, and future holders of the presidency, known as the troika. e.g. 2023's troika consists of Indonesia (past-summit 2022), India (present summit-2023) and Brazil (future summit in 2024)



⇒ **Theme:-** “Vasudhaiva Kutumbakam” or “One Earth One Family One Future” - is drawn from the ancient Sanskrit text of the Maha Upanishad

⇒ **Logo:-** globe/earth resting on a lotus

36.6.3 🌸 G20 Summit- India's priorities (SIX:6)

- 1. Green Development, Climate Finance & LiFE 2. Accelerated, Inclusive & Resilient Growth
- 3. Accelerating Progress on SDGs4. Tech Transformation & Digital Public Infra
- 5. Multilateral Institutions for the 21st century 6. Women-led Development

36.6.4 🌸 G20 Summit-2023: Outcomes / New Delhi declaration (2023)

- African Union (55 members) accepted as G20 member- just like how EU is member of G20.
- India – Middle East – Europe Economic Corridor (IMEC) launched.
- Global Biofuel Alliance (GBA) launched.
- We need more funds to fight climate change
- Next summit in BRAZIL. Brazil Summit's priorities (1) social inclusion and the fight against hunger; (2) energy transition and sustainable development (3) reform of global governance institutions.

👉 *For more points/analysis- refer to Mains Handout*

36.6.5 🌸🚢 G20 2023 Outcome ➡ India-Middle East-Europe corridor (IMEC)

- Announced during G-20 Summit @India (2023)
- Players? India, Saudi Arabia,UAE, Jordan, Israel, USA, EU & others in G20.
- Objective? Build railway line, shipping connectivity and optical fibre Link. (- उद्देश्य? रेलवे, समुद्री जहाज़ परिवहन, ऑप्टिकल फाइबर लिंक से आपस में जुड़ाव को बढ़ायेंगे।)
- Benefits? 😊 (1) Trade, Energy, digital connectivity among Asia, the Arabian Gulf, and Europe; 😊 (2) Countering China's belt and Road initiative. (- फायदा? व्यापार/आयात-निर्यात, ऊर्जा, डिजिटल संचार; चीन की बेल्ट और रोड पहल का मुकाबला करना।)
- IMEC is sub-scheme / part of Partnership for Global Infrastructure Investment (PGII). Refer to Infra related org section for more.

36.6.6 🌸📄 G20 2023 Outcome ➡ Global Biofuel Alliance (GBA)

- Announced during sidelines of G-20 Summit @India (2023)
- **Players?** India, Singapore, Bangladesh, Italy, USA, Brazil, Argentina, Mauritius and UAE and more- total 19 countries and 12 international orgs (- As of 2023-Sept.)

36.6.7 📄 G20- Truckload of PYQs – removing from HDT to save space

In 2022-23 UPSC CDS,CAPF,EPFO asked too many MCQs on G20. Bcoz topic was hot due to India hosting summit. I'm removing them from HDT, else it occupies 1 extra page. U'll find these MCQs in weekly test in the portal. Or in the PYQ booklets.



36.7 🌐🤝👤 GROUPINGS LED BY GORA (WHITES) → G7



5g सामान के लिए नई गेंग बनाते हैं ना!



इंडिया को G7 में शामिल करते हैं!

36.7.1 🌐🤝👤 G7 - Group of Seven (1975)

- seven major developed countries: Canada, France, Germany, Italy, Japan, USA, UK.
- 1997: Russia was added so it became G8 but then Russia annexed Crimea region of Ukraine to Russia was Expelled from this group so again it became G7 in 2014.
- 2020: Trump proposed Australia, India, South Korea, Russia etc should also be invited at G7. Although the UK hates the idea of inviting Russia back. But, ball-by-ball notIMP.
- Newspaper Columnists had gone crazier than usual, suggesting expansion of membership to G10 / G11 by adding above countries as new members.
- 2021's Summit @Cornwall, UK called for **15% Global Minimum Tax** = Ref Pillar#2B
- 2025 Summit @Kananaskis, Alberta, Canada. While India, South Korea and Australia are not members of G7, but their leaders are invited to attend as outreach guests. Modi visited.

36.7.2 🍷 NB8 - Nordic Group- 8 nation from Nordic-Baltic region

Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden.

36.7.3 🍷🪑🪑🪑🪑🪑 UNSC Reform related groups

What is UNSC, its Permanent-Members, Veto Power? Why India wants reforms? Ref. IR courses.

Group	Info
L-69 Group	Developing Countries from Africa, South America and the Caribbean, Asia and the Pacific. These countries advocate for UNSC reforms. India is a member
Group Four (G4) Nations	India, Brazil, Germany and Japan. They seek permanent membership and reform of the UN Security Council (UNSC)

36.8 🤖💻 TECH RELATED ALLIANCES



36.8.1 🌐🤝👤 D10: 5G club proposed by UK (2020)

⇒ UK proposed "D10" club of democratic partners including

- G7 countries — UK, US, Italy, Germany, France, Japan and Canada
- + 3 more plus Australia, South Korea and India

⇒ **Objective:** create supply chain for 5G equipment and technologies. To avoid relying on China/ Huawei- for data security and data privacy. (5G उपकरण और प्रौद्योगिकियों के लिए आपूर्ति श्रृंखला= चीनी कंपनियों द्वारा डाटा चोरी का खतरा कम हो)

36.8.2 🤖👤 AI related summits / groupings as per 📖 ES25:

YEAR	Notable example
2020	GPAI : Global Partnership on Artificial Intelligence (HQ-Paris)



2023	Hiroshima AI Process Comprehensive Policy Framework
2023	AI Safety Summit in UK. → Bletchley Declaration . India, China, Saudi Arabia, USA etc....total 28 nations AND European Union signed Bletchley declaration.
2024	AI Seoul Summit in South Korea .
2025-Feb	AI Action Summit in Paris . PM Modi was co-host. Next Summit in India (2026).

36.8.3 iCET between India and USA (2022)

- Initiative on Critical and Emerging Technologies (iCET),
- Under ICET, the two sides have identified six focus areas: innovation ecosystems, defence innovation and technology cooperation, resilient semiconductor supply chains, space, STEM talent, and next generation telecom.
- (STEM= science, technology, engineering and mathematics.)



36.9 MINERALS RELATED GROUPINGS

36.9.1 RISE by World Bank and Japan

- Partnership for Resilient and Inclusive Supply-chain Enhancement (RISE)
- for critical minerals, such as cobalt, lithium, vanadium, manganese and zirconium.
- **Masterminds?** World Bank and Japan. Later Canada, Italy, S.Korea and UK also joined

36.9.2 Minerals Security Partnership (MSP: अति महत्वपूर्ण खनिज भागीदारी)

- ⇒ US-led partnership to secure critical minerals and reducing dependency on China.
- ⇒ 🤔 MSP includes Australia, Canada, Finland, France, Germany, Japan, the Republic of Korea, Sweden, United Kingdom, and the European Commission.
- ⇒ **2023-June:** India joins MSP grouping . (Originally, we were not invited.)
- ⇒ 🤔 Cobalt, Nickel, Lithium etc. Required for batteries used in electric vehicles, semiconductors and high-end electronics manufacturing.
- ⇒ 🤔 Rare Earth Minerals available in India — such as lanthanum, cerium, neodymium, praseodymium, samarium, etc.
- ⇒ 🤔 Rare Earth Minerals NOT available in India- dysprosium, terbium, and europium. So, there is a dependence on countries such as China.

36.9.3 MSP → Minerals Security Finance Network (MSFN)

- ⇒ 2022: Minerals Security Partnership (MSP) started by USA. 2023: India joined MSP.
- ⇒ 2024-Sept: India joined MSP's Minerals Security Finance Network (MSFN)
- ⇒ MSFN aims to bring DFIs (development finance institutions) and ECAs (export credit agencies) together for funding the critical minerals related projects.

36.10 INFRASTRUCTURE RELATED NOTABLE GROUPS/INITIATIVES

Initiatives	Mastermind	Year
Belt and Road Initiative (BRI) / One belt one road	China	2013



Initiatives	Mastermind	Year
(OBOR)		
Blue Dot Network (BDN)	USA, Japan, Australia	2019
Global Gateway Initiative	EU	2021
Partnership for Global Infrastructure Investment (PGII)	G7 (mostly USA's brainchild)	2022
India-Middle East-Europe corridor (IMEC)- it as sub-scheme of PGII given in previous cell.	G20 Delhi summit	2023
Partnership for Resilient and Inclusive Supply-chain Enhancement (RISE) for critical minerals, such as cobalt, lithium, vanadium, manganese and zirconium.	World Bank and Japan. Later Canada, Italy, S.Korea and UK also joined	2023

36.11 GROUPINGS: MIDDLE EAST: GCC VS OIC

Gulf Cooperation Council (GCC); खाड़ी सहयोग परिषद् (GCC)	Organisation of Islamic Cooperation (OIC) इस्लामिक सहयोग संगठन (OIC)
1981: HQ-Riyadh, Saudi Arabia	1969: HQ-Jeddah, Saudi Arabia
6 members: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE	~50 Islamic countries from across of the world.
2017: some of these members have cut off diplomatic and business ties with Qatar. 2021: Extraordinary summit @Pakistan.	2019-March: While India is not a member, but first time invited in OIC meeting as guest of honour.

36.11.1 Abraham Accords (2020-Sept)

- UAE, Bahrain and Israel's Peace agreement for normalization of relations. (रिश्तों को सामान्य करने के लिए शांति समझौता) U.S. President Trump acted as mediator (मध्यस्थ की भूमिका)
- Abraham = regarded as a prophet by both the Jewish and Islam.

36.11.2 I2U2: Middle Eastern / West Asian QUAD (2021-22)

- ⇒ Indo-Pacific Quad = India, USA, Japan and Australia
- ⇒ Middle Eastern Quad / / West Asian QUAD = India Israel, UAE, and USA
- ⇒ six areas for joint action: water, energy, transport, space, health, and food security.
- ⇒ countering the influence of Chinese belt and Road initiative in Middle East.
- ⇒ \$2 billion to develop a series of integrated food parks across India → 2x farmers' income.
- ⇒ 300-megawatt hybrid (Solar+Wind) renewable energy project in Gujarat → help to India's goal of 500 GW of renewable energy by 2030.
- ⇒ Better implementation of the Abraham accords and other peace initiatives in Middle East.
- Peaceful and prosperous Middle East = market for Indian Exports.

36.12 MISC GROUPINGS / ORG → WORLD ECONOMIC FORUM (1971)

- ⇒ Not-for-profit think-tank in Cologny (a municipal area in Geneva), Switzerland. विश्व आर्थिक मंच-मुनाफा-रहित विशेषज्ञ समूह



⇒ Known for its annual summit at Davos resort in Switzerland where they invite selected world leaders, thinkers, NGOs and industrialists. **2025 theme** "Collaboration for the Intelligent Age".

Annual reports: Global Competitiveness Report, Global Information Technology Report, Global Gender Gap Report, Global Risks Report, Global Travel and Tourism Report, Financial Development Report, Global Enabling Trade Report.etc.

MCQ. Global Competitiveness Report is published by the _ _ _ (UPSC Prelims-2020)

Codes: A) IMF B) UNCTAD C) World Economic Forum D) World Bank

36.13 MISC GROUPINGS / ORGANIZATIONS OTHERS

UN, NATO	self study from IR-Diplomacy course/books/PDFs
UN specialized agencies related to Economy संयुक्त राष्ट्र की विशिष्ट संस्थाएं	List not exhaustive: - UNCTAD: United Nations Conference on Trade and Development → famous for its World Investment Report. 2021's report says that India is the fifth largest recipient of Foreign Direct Investment (FDI) in the world. - UNDP: United Nations Development Programme known for its Human development report (more in pillar#6) - UNIDO: UN Industrial Development Organization - World Intellectual Property Organization (WIPO: More in Pillar#4B-IPR) - International Labour Organization (ILO: More in Pillar#4C:unemployment) Their establishment years, HQ, reports etc. = KBC GK poor cost:benefit
Andean Community	Free trade area of South American countries of Bolivia, Colombia, Ecuador, Peru.
Mercosur	Southern Common Market of Argentina, Brazil, Paraguay, Uruguay + ANDEAN + other countries. However Venezuela was suspended in 2016.
Pacific Alliance	Chile, Colombia, Mexico, and Peru's regional level free trade agreement (2016)
Visegrád Group	4 Central European countries: the Czech Republic, Hungary, Poland, and Slovakia. (also known as V4 European Quartet)
Organization of Turkic States	cooperation among Azerbaijan, Kazakhstan, Kyrgyzstan, Turkey and Uzbekistan.
World Government Summit	- is a global non-profit organisation started in 2013. - Annual summit at Dubai, United Arab Emirates. - Focus areas: Global collaboration for humanity.

MCQ. Who are members of the Organization of Turkic States (Asked in Prelims-2022)

1.Armenia 2. Azerbaijan 3. Croatia 4. Romania 5. Uzbekistan

Codes: (a) 1, 2 and 4 (b) 1 and 3 (c) 2 and 5 (d) 3, 4 and 5

How many nations are in CARICOM, a grouping of Caribbean nations? (UPSC-Geologist-

2020) a.10 b. 12 c. 15 d. 18

<While the answer is 15 but poor cost:benefit chasing such KBC GK. Better to skip>

36.14 EXPORT CONTROL / NON-PROLIFERATION REGIMES

बहुपक्षीय निर्यात नियंत्रण / अप्रसार व्यवस्था:

NSG 1974	- Nuclear Suppliers Group (NSG: परमाणु आपूर्तिकर्ता समूह) is a group of countries that control the export of nuke materials, equipment and technology & aim to prevent
-------------	--



	its use in making nuclear bombs. - China is a member, India not a member yet due to China's objection.
Australia Group 1984	- Informal group that encourages members not to export chemical or biological weapons or technology. - China not a member, India became member (2018).
MTCR 1987	- Missile Technology Control Regime (मिसाइल प्रौद्योगिकी नियंत्रण व्यवस्था) is an informal group that encourages members not to export missiles equipment, software, technology. - China not a member, India became member (2016)
Wassenaar Arrangement 1996	- Wassenaar is an area in Netherland. This arrangement (1996) requires members to be strict and transparent in the export of conventional arms and dual-use goods and technologies (e.g. Night Vision Googles). So they don't fall in the hands of terrorists and rogue states like N.Korea. - China not a member, India became member (2017)

MCQ. India is member of __ (Prelims-2022)

1. Asian Infrastructure Investment Bank 2. Missile Technology Control Regime
 3. Shanghai Cooperation Organisation.

Codes: (a) 1 and 2 only (b) 3 only (c) 2 and 3 only (d) 1, 2 and 3

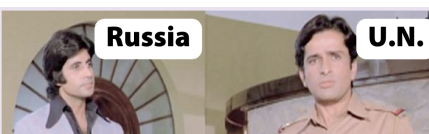
36.15 🐻 RUSSIA RELATED ORG/AGREEMENTS

36.15.1 🐻🌾🚢 Black Sea Grain Initiative (2022)

- Russia will allow ships to access 3 Ukrainian ports of Odesa, Chornomorsk and Pivdennyi (Yuzhny), after inspection that they are not carrying arms.
- Benefits? (1) Ukraine can continue exporting wheat / corn / foodgrains = global food prices remain stable. (2) UN Food aid program to poor nations - do not suffer from food shortage
- Mediators in the deal? 1) UN 2) Turkey.
- Controversy? Russia threatening to quit the deal.

36.15.2 🐻☢️ CTBT Nuke Treaty: Putin Exit (2023)

**जाओ, जा के पहले
अमेरिका का sign
लेकर आओ CTBT पे**



- Comprehensive Nuclear Test Ban Treaty (CTBT-1996) by United Nations.
- It bans all types of nuclear explosions, whether for military or peaceful/ Scientific purposes.
- 2000: Russia ratified the agreement.
- But China, Egypt, India, Iran, Israel, North Korea, Pakistan, USA not yet ratified it.
- 2023: Russian President Putin plans to withdraw from deal bcoz USA has not ratified it yet.

36.15.3 🇺🇸👐🍊 USA related Arms Treaties

1. **1987:** Intermediate-Range Nuclear Forces (INF) treaty between USA-Russia during to prohibit development of missiles with ranges between 500 and 5,500 km. 2019: USA withdraws from it.
2. **1991:** New Strategic Arms Reduction Treaty (New START) treaty between U.S. and Russia for reducing nuclear weapons. 2021: Treaty will expire.



3. **1992:** Open Skies Treaty (OST) signed between NATO and Warsaw Pact countries to monitor/spy each other's territory through unarmed aeroplanes. 2020-May: USA wants to withdraw from it.
4. **Self-study:** CTBT, NPT; NCERT Class12 Political Science ch4: India's external relations

👉 for more on IR annual summits, treaties, etc. for prelims study from PDF/Mags/Courses

36.15.4 📌📌 Mock Questions for Mains GSM2 (Intl. Org Related to Economy)

Question from this pillar mostly centre around what is the significance of X organisation for India, how do the actions/agreements of Y nations affect the Indian interests.

NEXT Handout: Pillar4A1: Sectors of Economy- Agriculture -Inputs



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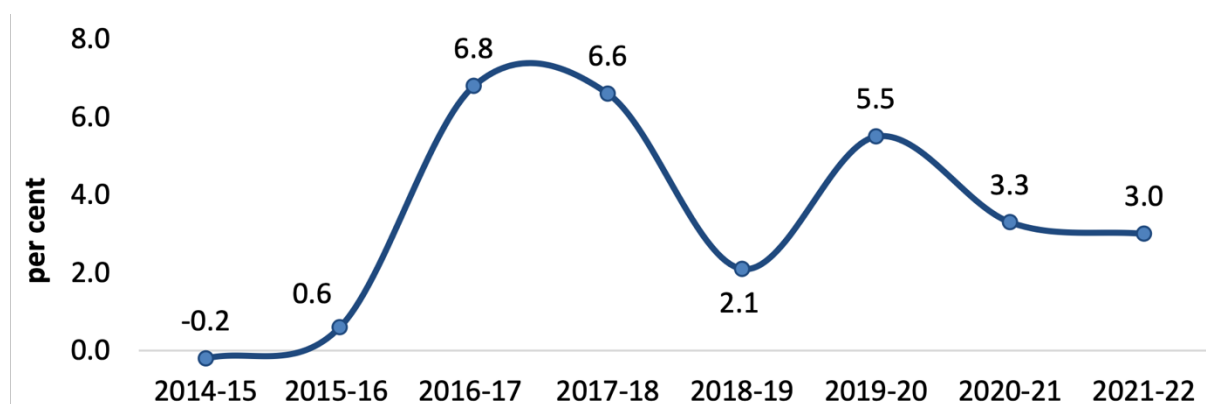


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40 🌱 AGRICULTURE- INTRO (कृषि- परिचय)

(Definition) Agriculture is a primary economic activity that includes growing crops, fruits, vegetables, flowers and rearing of livestock. कृषि एक प्राथमिक आर्थिक गतिविधि है जिसमें बढ़ती फसलें, फल, सब्जियां, फूल और पशुधन का पालन शामिल है

- **Modi-Target:** Double farmers' income by 2022-23 compared to 2015-16. (किसान की आय दुगुनी करो)
- **UN-SDG#1:** End poverty in all forms. | **UN-SDG#2:** Eliminate global hunger, protect indigenous seed and crop varieties, doubling agriculture productivity and small farmer incomes by 2030.
- **Sir Arthur Lewis' Dual Economy Model** (द्वैत अर्थव्यवस्था): Economic development results in labourer moving away from agriculture to the more productive industrial sector, & agriculture sector becomes less important part GDP. कृषि से विनिर्माण और सेवा में मजदूरों का गमन
- Indians in agriculture is steadily falling down: 55% (2011) to 42% (2018) (*World Bank data*).
- The growth rate of agri= up-down due to El-Nino led drought years. PM Manmohan target 4% annual growth rate.

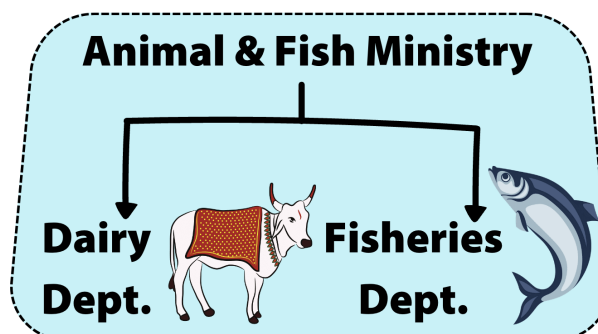
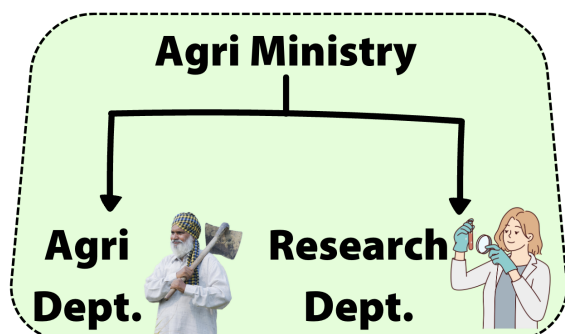


- Within Agriculture & Allied sector: Highest production (money-wise)= Crops > Livestock > Forestry > Fishing. (कृषि पर संलग्न क्षेत्रों में सबसे ज्यादा उत्पादन कहा से होता है)
- For more on GDP&GVA calculation- REF: 📖Pillar#4C.



40.1.1 🏆 Agri Production Numbers/GK: India is _ _ _ (data Eco-survey)

- ✓ 🏆 Milk: #1 Producer (more than 1/5th of world milk supply)
- ✓ 🏆 Vegetable Oil: #1 importer India. (वनस्पति तेल में दुनिया का सबसे बड़ा आयातकर्ता भारत है)
- ✓ 🏆 Sugar: #2 producer. #1 consumer. (शक्कर में दुनिया का दूसरा सबसे बड़ा निर्माता और पहले सबसे बड़ा उपभोक्ता)
- ✓ 🏆 Fisheries: #2 producer. 28 million Indians working. Exports earning ₹40,000+ cr per year
- ✓ 🏆 Eggs: #3 Producer, Meat: #8 Producer
- ✓ 54.6% of Indian population working in agriculture and allied sectors (Census-2011)



40.1.2 🧑🌾 [Yearbook-Info] A Ministry of Agriculture and Farmers Welfare

It is made up 2 departments and implements National Policy for Farmers (2007)

 Dept#1 Agro-itself	Department of Agriculture, and Farmers Welfare - Statutory: Coconut Development Board, National Cooperative Development Corporation, Protection of Plant Varieties and Farmers' Rights Authority, - Attached Office: National Rainfed Area Authority. - CPSE: National Seeds Corporation Ltd. (NSC) - Autonomous / Cooperative bodies: National Agricultural Cooperative Marketing Federation of India (NAFED), Small Farmers Agribusiness Consortium (SFAC). Various boards / institutes for horticulture, plant health management, Agro marketing etc.
 Dept#2: Agro Research Extension	<u>Department of Agricultural Research & Education (DARE)</u> - Autonomous body: Indian Council of Agricultural Research (ICAR: भारतीय कृषि अनुसंधान परिषद) - Central Agro universities @Imphal (Manipur), Pusa (Bihar), Jhansi (UP)

* Hindi terms not given for most org. because above information is meant for MCQ only. In the mains exam you may attribute all things to 'कृषि और किसान कल्याण मंत्रालय की वैधानिक / सहायक / स्वायत्त संस्था <insert English term/abbreviation>'.

40.1.3 🧑🐟 [Yearbook] Min. for Fisheries, Animal Husbandry and Dairying (2019)

This ministry was setup in 2019, with two departments

1. 🐟 Dept of Fisheries (Matsyapalan Vibhag)
 - A) Fishery Survey of India, Mumbai



- B) Central Institute of Fisheries Nautical and Engineering Training (CIFNET), Kerala
- C) Central Institute of Coastal Engineering For Fishery (CICEF), Bangalore
- D) National Inst of Fisheries Post Harvest Technology & Training (NIFPHATT), Kochi
- E) National Fisheries Development Board (NFDB), Hyderabad
- F) Coastal Aquaculture Authority, Chennai.

2. 🐾 Dept of Animal Husbandry And Dairying (Pashupalan Aur Dairy Vibhag):

- A) → Statutory: National Dairy Development Board (NDDB)
- B) → Statutory: Animal Welfare Board of India under The Prevention of Cruelty to Animals Act, 1960.

Before 2019: above dairy-fish org/functions were under the Agri ministry.

40.2 🤝🤝🤝 COOPERATIVE SOCIETIES & NEW MINISTRY



40.2.1 🤝🤝🤝 Cooperative Society: Meaning

- ⇒ (Definition) The cooperative society is a voluntary association of persons who join together with the motive of welfare of the members and/or prevent exploitation by middlemen. (सहकारी सोसाइटी/संगठन= लोगों का एक स्वैच्छिक समुह जो सदस्यों के विकास के लिए या दलालों के शोषण से बचने के लिए बनाया जाता है)
- ⇒ (Data) There are 8.5 lakh registered cooperatives in the country, with over 29 crore members
- ⇒ For example: The farmers of Kheda region (Gujarat) where exploited by the middlemen in the milk trade. So, Sardar Vallabhbhai Patel advised them to sell their milk by forming a cooperative society (1946) which later evolved into AMUL.

40.2.2 🤝🤝🤝 Cooperative Society: Features / Benefits (लक्षण / खासियत / फायदे)

- **Voluntary membership:** A person is free to join. can also leave anytime. (स्वैच्छिक सदस्यता)
- **Legal status / Stable existence:** formed by minimum 10 persons and registered
 - under A) State laws (if Single State Cooperative Society), or
 - B) under union's multi-state cooperative Societies Act 2002- if it is operating in more than 1 state e.g. National Agri. Cooperative Marketing Federation Of India (NAFED).
- Cooperative Society is a separate artificial legal person. It can enter into contracts and hold property in its name. Death, or insanity of an individual members do not affect continuity of a cooperative society. Limited liability of members. (Explained in Pillar#1C2)
- **Equal Voting:** one person gets one vote irrespective of how much capital he contributed.
- **Service / Welfare motive:** Not driven by desire for excessive profit or excessive growth.
- **Support from government:** m through low taxes, subsidies, and low interest rates on loans.



40.2.3 🧑🧑🧑 Cooperative Societies: Types of (विभिन्न प्रकार)

- ⇒ (i) **Consumer's cooperative societies:** purchases goods in bulk directly from the factory and sells goods to the members, thereby eliminating the middlemen's commission. (उपभोक्ताओं के लिए)
- ⇒ (ii) **Producer's cooperative societies:** small-scale producers buy raw material directly from source/members, thereby eliminating the middlemen's commission. e.g. AMUL = Milk Producers' cooperative Society → milk: butter cheese ice cream → sell. [उत्पादों के लिए]
- ⇒ (iii) **Farmer's cooperative societies:** member-farmer cooperate for purchase and sharing of seeds, fertilisers, machinery, land. This helps solving the problems associated with farming on fragmented land holdings. [किसानों के लिए]
- ⇒ (iv) **Marketing cooperative societies:** They help small producers in selling their products. e.g. Tribal Co-operative Marketing Development Federation of India (TRIFED) under the Ministry of tribal affairs. [विपणन सहकार के लिए]
- ⇒ (v) **Credit cooperative societies:** To collect money from members and give loans to the members at affordable rates. Formed by farmers, villagers, caste-based organisations etc. [पूंजी/रुण देने के लिए]
- ⇒ (vi) **Cooperative housing societies:** To help members get houses by pooling land/loans etc.

40.2.4 🧑🧑🧑 [Yearbook] Modi forms a new Ministry for Cooperation

The country has 1,94,195 cooperative dairy societies and 330 cooperative sugar mill operations.

BEFORE	🧑 AFTER 2021-July Reform
Agriculture Ministry → Department of Agriculture, Cooperation and Farmers Welfare = looked after administrative, legal and policy framework for cooperative movement in India. पहले सहकारी मंडली/संस्थानों की ज़िम्मेदारी कृषि मंत्रालय की थी, अब इसके लिए अलग से एक सहकार मंत्रालय की स्थापना।	- Government announced the formation of a separate Union Ministry of Cooperation / Cooperative Ministry. - Home Minister Amit Shah was given charge of the new Ministry - Will look after administrative, legal and policy framework for cooperative movement in India- including cooperative organizations in agriculture, dairies, sugar mills, spinning mills, banking-finance etc
Statutory Body: Multi State Cooperative Societies ACT, 2002 → Registrar of Multi State Cooperative Societies = functioned under Agri Ministry	Shifted here ("बहुराज्य सहकारी समितियों के रजिस्ट्रार" जो पहले कृषि मंत्रालय के अंतर्गत थे, अब सहकारी मंत्रालय के अंतर्गत)

Benefits and challenges of this move? Ans. Shifted to Mains Handout. #Prelims-RAFTAAR

40.2.5 Organisations under Ministry of corporation

1. Registrar of Multi State Cooperative Societies. Statutory body (2002)
2. National Cooperative Development Corporation (NCDC), a statutory corporation (1963)- societies. Its focus is on programmes of agricultural marketing, seeds/fertilizers/ inputs, food



processing, cold storage. Also promotes dairy, livestock, handloom, sericulture (silk), poultry, fishery

3. National Council for Cooperative Training (autonomous Society) @Delhi
4. Vaikunth Mehta National Institute of Cooperative Management (VAMNICOM), Pune for Post Graduate-Diploma courses.

40.2.6 🍷 Coop → Tribhuvan National cooperative university (2025)

- **1946:** Tribhuvandas Patel instrumental in starting Kaira District Cooperative Milk Producers' Union → later evolved into Amul with the help of Dr. Verghese Kurien (father of white revolution.)
- **2025:** Tribhuvan Sahkari University Act by Ministry of Cooperation
- Currently, IRMA is registered as a society. This Law aims to transform IRMA/Institute of Rural Management Anand, Gujarat → as the "Tribhuvan" Sahkari University.

40.2.7 🤝🤝🤝 Multi-State Cooperative Societies Act 2002 → Amendment Act 2022

YEAR	LAW
1984	Multi-State Cooperative Act.
2002	Multi-State Cooperative Societies Act to replace earlier 1984's act.
2011	97th Amendment act gave constitutional status to coop societies by doing 3 changes: • 1. Added right to form cooperative societies as a fundamental right (Article 19). • 2. Included a new Directive Principle of State Policy on the promotion of cooperative societies (Article 43B). • 3. Added a new Part IX-B in the constitution, titled "The Cooperative Societies" (Article 243-ZH to 243-ZT).
2022	Multi-State Co-operative Societies (Amendment) Bill to amend 2002's act.

Above Act/bill aims for

- ⇒ Setup statutory body "Co-operative Election Authority" to conduct elections for board members of multi-state co-operative societies. (बहु-राज्य सहकारी संगठनों के बोर्ड सदस्यों के चुनाव के लिए एक सहकारी चुनाव प्राधिकरण बनाया जाएगा)
- ⇒ Setup Ombudsman for hearing the complaints by the members of coops. (सदस्यों की शिकायत सुनने के लिए शिकायत निवारण अधिकारी)
- ⇒ Setup a fund for revival of sick multi-state co-operative societies. The Fund will be financed through contributions by profitable multi-state coops. (बीमार/घाटे-वाले बहु-राज्य सहकारी संगठनों को पुनर्जीवित करने के लिए एक एक वित्तीय-कोष बनाएँगे। मुनाफ़ेवाले संगठनों ने इसमें पैसा देना होगा।)
- ⇒ Facilitate merger of 2 or more coop societies. (दो या उससे अधिक सरकारी संगठनों का एकीकरण करवाना आसान)

🤔 Criticism



- 🤔 1) Some State governments are opposed alleging that some provisions of this bill encroaching upon State government's power to regulate single state cooperative Society. (राज्य सरकारों को आपत्ति है कि हमारी शक्तियां कम हो जाएगी)
- 🤔 2) Profitable coops opposed to idea of giving money to revival of sick/loss making coops. (मुनाफ़े वाले संगठनों को एतराज/आपत्ति है कि हम क्यों पैसा दे बीमार/घाटे-वाले संगठनों की मदद के लिए?)

40.2.8 🤝🤝🤝 3 new coop societies for export, organic, seeds (2022)

Union setting up 3 new coop societies under Multi-State Cooperative Societies (MSCS) Act, 2002.

- 1) national multi-state cooperative export society (राष्ट्रीय बहू-राज्य निर्यात सोसायटी)
- 2) national multi-state cooperative organic society (प्राकृतिक खेती के लिए)
- 3) national multi-state cooperative seed society (बीज के लिए)

40.2.9 → Coop Societies ☑ National Cooperative Export Limited (NCEL, 2023)

- NCEL is registered under the Multi-State Cooperative Society Act, 2002
- Founders/Owners? AMUL, IFFCO, KRIBHCO, NAFED, National Co-operative Development Corporation (NCDC).
- Usually, the profits from agri-exports do not reach the farmers, but NCEL aims to give at least 50% of the export profits to farmers!

40.2.10 🌟 National Turmeric Board under Ministry of Commerce (2025)

- - HQ: Nizamabad in Telangana; Boss Commerce Ministry.
- - Turmeric is also known as 'Golden Spice'
- - Turmeric grown across 20 states, including MP, MH, TN, Andhra, Telangana, Meghalaya and others. - Meghalaya famous for its **Lakadong Turmeric**.
- - India is the largest producer, consumer and exporter of turmeric in the world. There are 30 varieties of turmeric produced in India.

40.3 🌱🌐 AGRI-INPUT → LAND (जमीन)

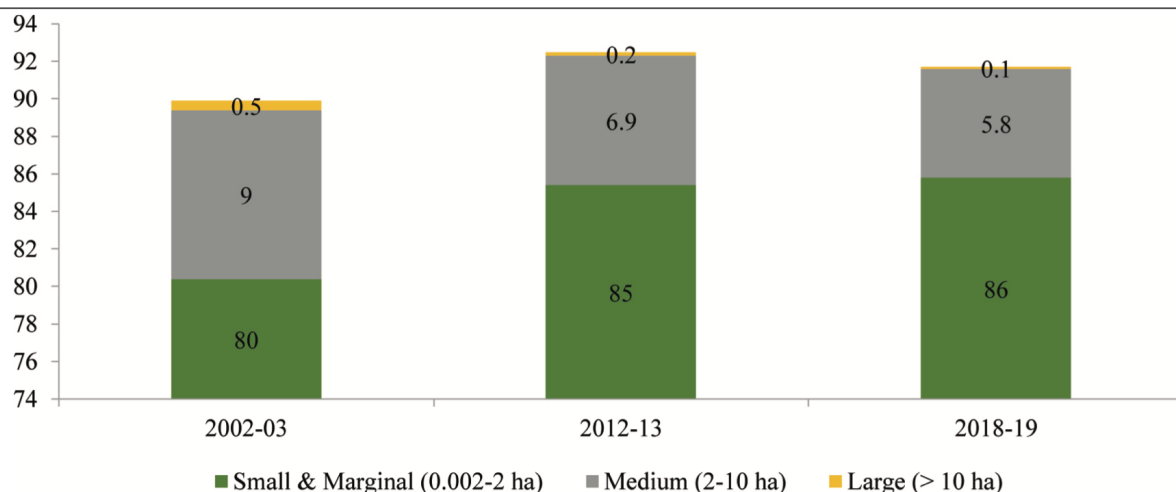
- ⇒ While India accounts for >17% of world population but barely 2.5 % of land of the world. (भारत के पास आबादी के अनुपात में जमीन बहुत कम है)
- ⇒ Agriculture is a purely land based activity. Size and quality of land has direct bearing on agriculture productivity and farmers' income. Land ownership also serves as a social value & security against credit. (किसान के लिए सामाजिक प्रतिष्ठा और कर्ज लेने के लिए जमीन की मालिकी महत्वपूर्ण)
- ⇒ 🤔 **Challenges?** Rising population, division of land among heirs → fragmentation of landholdings (भूमिजोत का विखंडन). Small sized-farms are not conducive for farm-machinery → productivity ↓. छोटे खेतों में बड़ी मशीन चला नहीं सकते → उत्पादकता कम 🤔
- ⇒ Fragmentation of land holding has ↑. Average size of a farm reduced from 0.725 hectare (2003) to 0.512 ht (2019) (जमीन का भी खंडन हो रहा है. खेत की औसत आकार कम हो रही है.)
- ⇒ 86% of agri-families have farm size of 2 hectares or less.



⇒ 😊 **Solution?** Small-marginal farmers should be encouraged to join mfg / service sector jobs, selling their land to big farmers = **Land Consolidation** (भूमि एकत्रीकरण).

⇒ **Land Reform** (भूमि सुधार) is the government led division of agricultural land and its reallocation to landless people. Whereas, **Land Acquisition** (भूमि अधिग्रहण) means Govt acquiring private land for industrial or infrastructure development.

Figure 18: Distribution of Households by Size Category of Ownership Holdings (per cent)

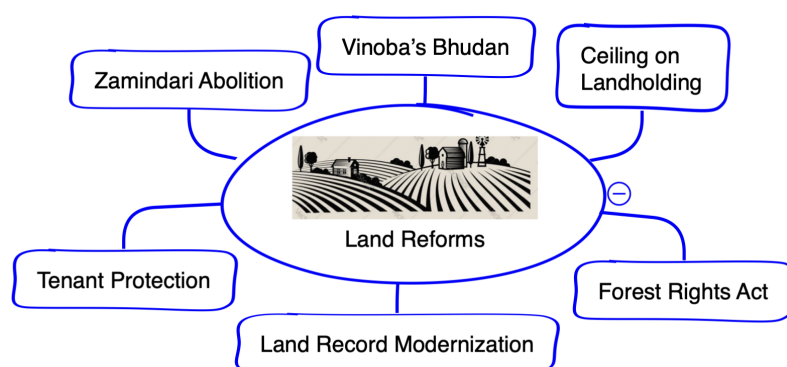


MCQ. Why is there a decrease of per capita cultivated land in India? (UPSC-CDS-2012-II)

1. Low per capita income.
2. Rapid rate of increase of population.
3. Practice of dividing land equally among the heirs.
4. Use of traditional techniques of ploughing.

Answer Codes: (a) 1 and 2 (b) 2 and 3 (c) 1 and 4 (d) 2,3 and 4

40.3.1 🌱🌐 Land reforms in India after independence



- ⇒ (1) **Zamindari Abolition**, Vinoba's Bhudaan movement
- ⇒ (2) **Ceiling on Landholding** i.e. fixing maximum size of land holding that an individual can own.
- ⇒ (3) Laws to protection of tenant farmers (**जोतदार किसान**)
- ⇒ (4) **Forest Rights Act**: वन अधिकार अधिनियम 2006 which gives 'Patta' (farm land ownership title) to the forest dwellers, if the given family was cultivating that forest land for the last 75 years.
- ⇒ **Land is a state subject**, so Union circulated Model Agriculture Land Leasing Act, 2016:
- 1) To protect land owner from illegal occupation by tenant farmer
 - 2) To help tenant farmer get bank loans using leasing agreement as proof.



⇒ (5) Land record modernisation: see next section.

Further Self-study? (1) Land reforms is a Mains-GSM3 topic. Ref QEP-Pill4 HDT (2) Soil pollution & soil erosion is Environment topic do it from your Unacademy/Notes. (3) Soil & Crop distribution: Geography topic from NCERT/ Majid/Unacademy Booklet.

MCQ. Find correct about Land reforms in India: (GPSC-25-Q135)

1. One of the objectives was to pass on the ownership of land from landlords to peasants.
2. Land reforms resulted in decrease in the cultivation of cash crops. (**Wrong**- no such data)

Codes: (A) 1 only (B) 2 only (C) Both 1 and 2 (D) Neither 1 nor 2

40.3.2 🌱🌐 National Land Records Modernization Programme

(NLRMP-2008: राष्ट्रीय भूमि रिकॉर्ड आधुनिकीकरण कार्यक्रम)

- by Department of Land Resources under Rural Development Ministry.
- digital land records help reducing court case related to sale / inheritance & help keeping track of land ceilings, prevent benami transactions.
- Central Sector Scheme. 100% funding by Union. States don't need to contribute ₹.
- Unique Land Parcel identification Number (ULPIN) assigned to each land.
- Facility to translate land records in other languages.

MCQ. Find correct about Digital India Land Records Modernisation Programme

1. To implement the scheme, the Central Government provides 100% funding.
2. Under the Scheme, Cadastral Maps are digitised.
3. It has an initiative to translate Land Records from local language to any of the languages recognised by the Constitution of India.

Codes: (a) 1 and 2 only, (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

Note: Ans is D. But, poor cost:benefit to memorize the funding pattern of such low-profile schemes or what is cadastral maps. Either do 50:50 elimination or tick by gut-feeling or skip.

40.3.3 🍅 Types of Farming: Cooperative Farming Versus Collective Farming



Parameter	Cooperative Farming सहकारी	Collective Farming (सामूहिक खेती)
Ownership (ज़मीन का स्वामित्व/ मालिकी)	Farmer continues to remain the owner of the individual farmland. Only the 'activity' of farming is done in a cooperative manner.	Collective/social ownership of land, livestock, and labor. Farmers allowed to own very small plots to grow crops in order to meet their daily requirements. e.g. Kolkhoz model in USSR (Soviet Russia)



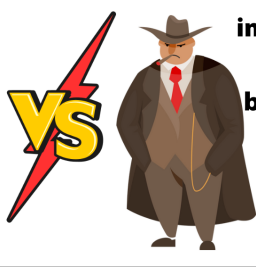
Parameter	Cooperative Farming सहकारी	Collective Farming (सामूहिक खेती)
Output (पैदावार)	Better	Less. e.g. Russian Kolkhoz model farmers carelessly packed the rotten fruits with the fresh fruits, despite knowing that rotten fruit will spoil the fresh fruit because they did not own the farm so they became lazy/irresponsible/demotivated

40.3.4 Coop Farming → Small Farmer Large Field (लघु कृषक बड़े खेत)

we'll grow same crop, buy its seeds together, sell its output together.
एकजुट होकर एक ही फसल उगाएंगे, उसके बीज खरीदेंगे और उपज बेचेंगे,



VS



difficult to exploit them in selling expensive seeds or buying their grains dirt cheap.
मैं इनका शोषण आसानी से नहीं कर पाऊंगा

- A pilot project by International Rice Research Institute (IRRI) in two villages of Odisha.
- Small landholders join and decide to grow 1-2 crop, synchronize all the agricultural operations (seed to selling) as a group, and gain higher bargaining power while dealing with seed/input-sellers, APMC-grain buyers etc

AB CD MCQ. Which best describes the concept of 'Small Farmer Large Field'? (Prelims-2023)

- (a) Resettlement of a large number of people, uprooted from their countries due to war, by giving them a large cultivable land which they cultivate collectively and share the produce
- (b) Many marginal farmers in an area organize themselves into groups and synchronize and harmonize selected agricultural operations.
- (c) Many marginal farmers in an area together make a contract with a corporate body and surrender their land to the corporate body for a fixed term for which the corporate body makes a payment of agreed amount to the farmers
- (d) A company extends loans, technical knowledge and material inputs to a number of small farmers in an area so that they produce the agricultural commodity required by the company for its manufacturing process and commercial production

40.3.5 Types of Farming: 🚚 Truck Farming / Market Gardening

- Truck farming / market gardening = small-scale farm producing fruits, vegetables, and flowers to sell to urban consumers and restaurants.
- These farmers operate from urban or suburban areas.
- Famous areas: Netherlands (Tulips flowers), northwest Europe, northeastern United States of America, and the Mediterranean regions.

Wikipedia & other Websites	NCERT Class12 Funda of Human Geography
🚚 The word 'truck' does not refer to the	✅ The distance of truck farms from the



Wikipedia & other Websites	NCERT Class12 Funda of Human Geography
transportation truck but comes from the French word troquer, which means “barter” or “exchange”	market is governed by the distance that a truck can cover overnight, hence the name truck farming

MCQ. Which of the following statements about ‘Truck farming’ is/are correct? (EPFO-2023)

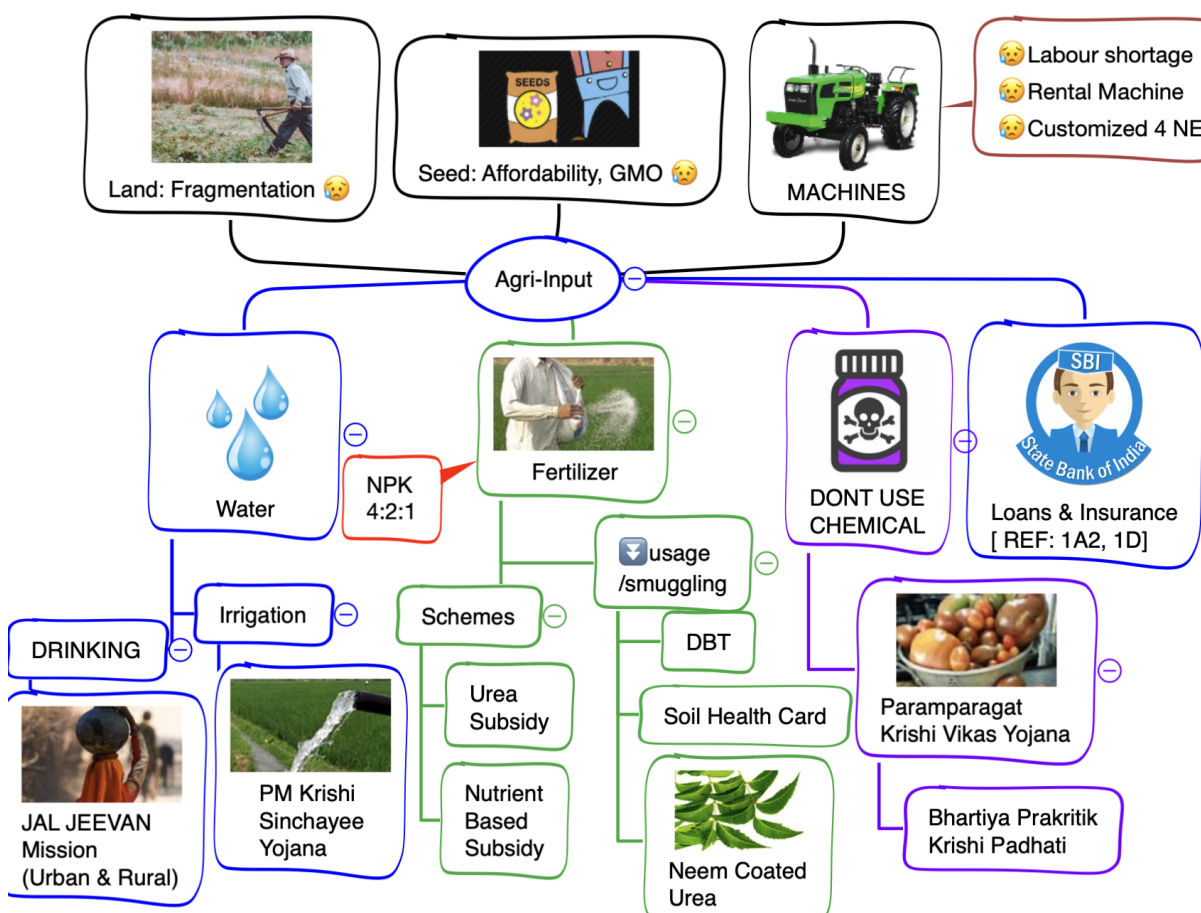
- 1) It means growing vegetables around urban centres to meet the daily demand of people.
- 2) It is governed by the distance a truck can cover overnight between the farm and the market.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

FAQ: then statement2 is right or wrong? Ans. go by the interpretation given in NCERT.

40.3.6 → Types of Farming” ☒ HOMEWORK NCERT

- Read NCERT Class12 Fundamentals of Human Geography ch.05 : subtopic Agriculture: <https://ncert.nic.in/ncerts/l/legy105.pdf>
- for the terms like mixed farming, primitive farming, factory farming, viticulture, cooperative farming et cetera





40.4 🌱 AGRI-INPUT → SEEDS: बीज



(Introduction: Origin) Since we can't drastically increase the area under cultivation, so, agriculture yield (amount of crop produced in a given acre of land) depends greatly on seed quality.

- For best yield, hybrid seeds must be replaced every year, and non-hybrid must be replaced every three years. But in India, seed replacement rate is less than optimum because of (1) new seeds are not affordable and 2) not available to all farmers. So, government has approved 100% FDI (in automatic route) in seed development. संकर बीजों को हर साल बदलना चाहिए किंतु गरीब किसान के लिए मुश्किल
- **Seed village concept:** Group of farmers in a village given training to produce seeds of various crops so they can fulfill seed demand of their own & neighbouring villages.
- **Seed bank / Seed vault** is a depository that stores seeds to 1) preserve genetic diversity 2) supply seeds during natural calamities and unforeseen conditions. Global Seed Vault is located in the Svalbard @Norway, in Arctic.
- Agro Ministry gives funding for above two initiatives.

AB CD ? MCQ. Which best describes the main objective of Seed Village Concept? (UPSC-Pre-2015)

- (a) Encourage farmers to use their own farm seeds and discouraging them to buy the seeds from others.
- (b) Involving the farmers for training in quality seed production and thereby to make available quality seeds to others at appropriate time and affordable cost.
- (c) Earmarking some villages exclusively for the production of certified seeds.
- (d) Identifying the entrepreneurs in villages, providing them tech. & finance to set up seed companies.

40.4.1 🌱🧬 Agri-Input → Seeds → Green Revolution: हरित क्रांति

Green revolution refers to the large increase in food production with the help of High Yielding Variety (HYV: उच्च उपज देने वाली किस्म) of hybrid seeds.

- **Phase-1:** mid 1960s upto mid 1970s → focus on wheat, rice and more affluent states such as Punjab, Andhra Pradesh and Tamil Nadu. (गेहूं चावल ज्यादा समृद्ध राज्यों में)
- **Phase-2:** mid-1970s to mid-1980s → HYV seeds were spread to a larger number of states. They also focused on crops apart from wheat and rice. (अन्य राज्यों में भी हरित क्रांति का प्रसार)
- **Biofortification:** is the process by which the nutritional quality of food crops is increased. E.g. ICAR developed **CR Dhan 310**- a rice variety that has higher protein & zinc content than traditional rice. **Germans** developed **Golden rice** for VitaminA

Homework: read NCERT Class11 Economy: Ch2 for more vocabulary

40.4.2 🌱🧬 Agri-Input → Seeds → Landraces (जमीनी प्रजाति की फ़सले/बीज)

- Hybrid crops are created by scientists artificially in the labs.



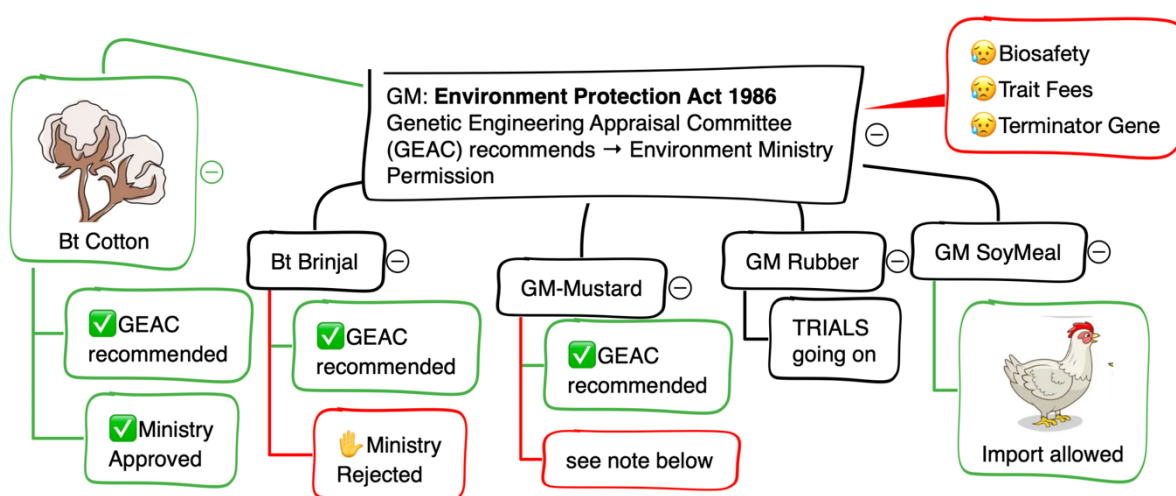
- Whereas, “Landraces” are naturally occurring variants of commonly cultivated crops. (फसलो की ज़मीनी प्रजातियाँ -जिसे प्रयोगशाला में नहीं बनाया, बल्कि प्राकृतिक रूप से उद्भव हुआ)
- Landraces are climate resilient, may contain better quality of nutrients.

40.4.3 🌱 Agri-Input → Seeds → 🍅 Pepsi vs Potato Farmers

- ⇒ 1970's Indian Patents Act (भारतीय पेटेंट अधिनियम) doesn't give Patent to seeds / plant varieties. But,
- ⇒ 2001's Protection of Plant Varieties and Farmers' Rights Act (पौधों की किस्मों और किसानों के अधिकारों का संरक्षण) grants Intellectual Property Rights (IPR: बौद्धिक संपदा अधिकार) to plant breeders, researchers and farmers who have developed any new plant varieties
- ⇒ Pepsi supplied FC5 potato hybrid variety to Indian farmers. → contract expired yet farmers continue to grow this variety (& selling to other companies).
- ⇒ **2019:** Pepsi complained against Guj Farmers, but later Pepsi withdrew the case. (शिकायत वापस ली).
- ⇒ **2021:** Govt cancelled the registration of Pepsi's potato variety citing that Pepsi had not given the required documents while registering the variety. (सरकार ने उसका पंजीकरण ही रद्द कर दिया है.)

40.4.4 🌱 Agri-Input → Seeds → Genetically modified (GM) crops

- **Hybrid seeds** (संकर बीज) are developed by cross-breeding / cross-pollination with other plants.
- Whereas, **Transgenic / Genetically modified** (आनुवंशिक आधार पर आशोधित किस्मे) seeds are developed by transferring selected genes from one organism into another. E.g. Bacterium Bacillus thuringiensis genes inserted in cotton → Bt. cotton → if bollworm pests eat it, it'll die by the toxin crystals in Bt.cotton plant.
- **GM-Regulation?** Environment Protection Act 1986 (EPA: पर्यावरण संरक्षण अधिनियम) → Genetic Engineering Appraisal Committee (GEAC: जेनेटिक/जननीक इंजीनियरिंग/अभियांत्रिकी मूल्यांकन समिति) conducts studies, and recommends approving a GM crop in India → Environment ministry gives final permission.
- **2002:** Environment ministry allowed Bt. Cotton (a non-food crop) cultivation in India



40.4.5 🌱 GM Mustard approval- Kabhi haan kabhi naa

	GEAC	Environment Ministry
--	------	----------------------



2017	Approved	Rejected & ordered GEAC to do more field study.
2022-Oct	Approved again	Pending/yet to give full clarity.

40.4.6 🌽 Smart Corn GMO (USA) = short height= storm resist

- This corn variety has 1/3rd height of normal corn plants. Shorter height = it can withstand the fast wind speed / storms / cyclones. (ऊँचाई में बौने/नाटे होते हैं ताकि तेज हवा में भी गिर नहीं जाए।)
- Bayer company → added foreign gene in Corn → plant growth hormone gibberellic acid's production stopped = height-growth stopped. USA govt has permitted its cultivation(2023)

40.4.7 🌱🧬 Seeds → GM crops → Challenges?

1. **Biosafety concerns** (जैव सुरक्षा संबंधी चिंताएं) GM food crops may be unsafe for human and animal consumption. They may harm the soil bacteria & bees → harm to entire food web and biodiversity. GM crop may eliminate the wild/indigenous species by cross-pollination (पर-परागण)
2. American company Monsanto's Bollgard technology is used for developing Bt Cotton seeds. So, Indian Bt-cotton seed production companies have to pay a type of royalty to Monsanto, called **Trait fees** (विशेषता शुल्क). Govt of India decides the ceiling on Trait fees. Some legal disputes going on. what/how/why NOTIMP.
3. Monsanto also owns patent over **Terminator gene technology** (समापक जनीन प्रौद्योगिकी) i.e. when such seeds are planted, they'll produce crops only once. Their resultant crop's seeds will be sterile (बाँझ/ नपुंसक) → Farmer forced to buy new seeds from company for every season. Terminator gene seeds are not allowed in India.

🎓 **Further self study of GM Sci.tech → (i) NCERT Biology class 12 chapter 10, 12 (ii) Unacademy Notes 2.0 OR any other material that you like/or you have**

40.4.8 → Seeds ☑ SATHI Portal?

- SATHI: Seed Authentication, Traceability & Holistic Inventory Portal
- is a centralized online system for seed traceability and authentication, ensuring quality seed access for farmers.
- 🧠 Mastermind? Agri ministry.

40.4.9 🌱 Seed fertilizer quality very IMP & Urea-Gold very great- says 📖 ES25:

- India accounts for ~12% of the global cereal but per hectare crop yields in the country are considerably lower than others. Therefore, quality of seed and fertilisers is very important.
- Global warming is decreasing the agri-output. so in north-western India, we need heat-tolerant wheat varieties.
- Indian soil is deficient in organic carbon, macronutrients, and essential micronutrients such as boron, iron, and sulphur.
- 'Urea Gold' = combines urea with sulphur, minimizing wastage and enhancing plant nutrient uptake.
- We should use of drones and fertigation to optimize fertiliser applications. Fertigation means adding fertiliser within the irrigation water by the drip system.



40.5 🌧️🌿 AGRI-INPUT → WATER (IRRIGATION: सिंचाई)



Definition? The supply of water to crops at different intervals is called irrigation.

- ⇒ **Challenges?** While India accounts for more than 17% of world population but we have barely 4% of world's water resources. आबादी के हिसाब से जल संसाधन बहुत कम है भारत के पास
- ⇒ India is a water stressed country. >50% of the agri depends on rainfall. Only four months of monsoon & if El-Nino we receive even less rainfall. → 2014 & 2015 drought → food inflation.
- ⇒ The countries with the largest areas under groundwater irrigation: India (39 million ha), China (19 million ha) and USA (17 million ha) (भारत में भूजल द्वारा सिंचाई बहुत ज्यादा मात्रा में होती है)
- ⇒ **Irrigation water productivity** is defined as ratio of the crop output to the irrigation water applied. To produce 1 kg of rice, Indian farmers use 3,000-5,000 litres of water, whereas Chinese farmers manage it within 350 litres of water. भारतीय किसान बहुत ज्यादा पानी इस्तेमाल करते हैं
- ⇒ MSP, heavily subsidized electricity, water and fertilizers = 60% of water is consumed by water intensive crops like paddy and sugarcane. चावल और गन्ने की खेती के चलते पानी व्यय ज्यादा
- ⇒ By 2050, India will be in the global hotspot for 'water insecurity'. (जल असुरक्षितता)
- ⇒ To earn 2x (double) income, a farmer must cultivate multiple crops annually. But majority of farmers face water shortage so they can't do so. (बिना पानी के किसान की आमदनी दुगना करना असंभव)

40.6 🧑🌿 [YEARBOOK] JAL SHAKTI MINISTRY

It has two depts.

1. Dept of Water Resources, River Development and Ganga Rejuvenation
2. Dept. of Drinking Water and Sanitation

40.6.1 🧑🌿 [Yearbook1] Dept. of Water Resources, River Dev. & Ganga Rejuvenation

जल संसाधन, नदी विकास एवं गंगा संरक्षण विभाग consists of <list not exhaustive>

Dept	N/A (ये मंत्रालय के पास कोई विभाग नहीं है)
Attached / subordinate offices संलग्न/अधीनस्थ कार्यालय	- Central Water Commission (केंद्रीय जल आयोग) → National Water Academy, Pune Ganga Flood Control Commission Bansagar Control Board (Son River) Central Water and Power Research Station Central Soil and Materials Research Station
Statutory Bodies वैधानिक संस्था	- Betwa River Board, Brahmaputra Board under respective Acts. - Various water dispute tribunals (जल विवाद न्यायाधिकरण) under Inter-State Water Disputes Act, 1956 - Under Environment Protection Act, 1986 →



	- National Ganga River Basin Authority (NGRBA) → later, replaced by “National Ganga Council” chaired by PM - Central Ground Water Authority (केंद्रीय भूजल प्राधिकरण) formed under the Environment (Protection) Act.1986
Govt Companies	- Water and Power Consultancy Services Ltd (WAPCOS) - National Projects construction Corporation Ltd.
Autonomous Bodies	- National Institute of Hydrology Krishna River Management Board - Godavari River Management Board

40.6.1.1 🧑🏫 [Yearbook2] Dept of Drinking Water And Sanitation: पेयजल और स्वच्छता विभाग

→ doesn't have any MCQ worthy Organizations. (परीक्षा के लिए जानने लायक कोई संस्था नहीं)

40.6.2 🌧️👤🚰 Water Schemes → NRDWP (2009)

National Rural Drinking Water Programme (NRDWP)

- **Boss?** Drinking Water Dept: Centrally Sponsored Scheme → Core Scheme = NOT 100% funded by Union. (50:50) (केंद्र द्वारा प्रायोजित - महत्वपूर्ण योजना जहां राज्य ने भी खर्च का कुछ हिस्सा देना पड़ता है)
- To provide every rural person with safe water for drinking, cooking & domestic needs.
- Additional focus on areas affected by Arsenic, Fluoride & chemical contamination, Encephalitis disease etc. (रासायनिक संदूषण तथा एन्सेफेलाइटिस बीमारी को रोकने के लिए ज्यादा ध्यान दिया जाए)
- 2019: NRDWP subsumed under a new scheme namely Jal Jeevan Mission (JJM).

40.6.3 🌧️👤🚰 Water Schemes → Pradhan Mantri Krishi Sinchai Yojana (2015)

Boss? Administered by Jal Shakti Ministry (2015) [Note: Different website give different Ans. I'm quoting from govt's India yearbook, 2023]

Valid till 2025-26. Core Scheme = Not 100% Funded by Union. States required to contribute ₹

Aim? To improve the irrigation coverage, reduce wastage of water, using 4-pillar strategy:

1. **Accelerated Irrigation Benefit Programme** (AIBP: त्वरित सिंचाई लाभ कार्यक्रम) → Requires Jal Shakti Ministry to finish the ongoing national irrigation projects at a faster pace.
2. **Har Khet ko Pani** → Requires Jal Shakti ministry to distribute water to each and every farm by setting up canal network.
3. **Watershed Development** (जलसाव विस्तार विकास) → Requires Rural Development Ministry's Dept of Land Resources to setup water harvesting structures like check dams, *Nala bund*, farm ponds, tanks etc. + traditional water storage systems such as *Jal Mandir (Gujarat)*; *Khatris & Kuhl (H.P.)*; *Zabo (Nagaland)*; *Eris & Ooranis (T.N.)*; *Dongs (Assam)*; *Katas & Bandhas (Odisha & M.P.)*.
4. **Per drop more crop** → Requires **Agriculture Ministry** to improve the water usage efficiency through Micro-irrigation devices such as drips, sprinklers, pivots, rain-guns. Later, "Per drop more crop" was shifted under another scheme "Rashtriya Krishi Vikas Yojana (RKVY)"
5. **Related terms** →



- a. **Fertigation:** Mixing water-soluble fertilizers in drip system → fertilizer delivered into the root system → ↓ wastage of fertilizers.
- b. **Mulching:** It is a simple process of covering the bare soil with straw, wood chips, shredded bark etc. to ↓ the water evaporation, soil erosion and weed growth.

⚠️🧐🐘 **Micro-irrigation challenges?** High cost of purchase. Trampling by elephant, boar, nilgai etc. damages the equipment, but repairman not available locally and repair costs not covered in crop insurance. So less adoption. (सूक्ष्म सिंचाई का सामान हाथी कुचल दे तो मरम्मत का पैसा नहीं देती सरकार)

40.6.4 → Water Schemes ☒ Per drop more crop

Boss? Department of Agriculture & Farmers' Welfare

BEFORE	AFTER
PDMC was a sub-scheme of "Pradhan Mantri Krishi Sinchayee Yojana (PMKSY)" from 2015–16 to 2021–22	2022–23: PMDC shifted under the Rashtriya Krishi Vikas Yojana (RKVY).

- Type? Centrally Sponsored Scheme (CSS). Cost-sharing Union:states = 60:40 / 90:10 depending on type of State.
- States can obtain extra loans from NABARD's Micro Irrigation Fund (MIF). Union to give 2% interest subsidy on loans taken by States from NABARD.

Category	subsidy to purchase micro irrigation equipments.
Small & Marginal	55%
Other Farmers	45%

AB
CD

! MCQ. Find wrong about the PDMC scheme (Per Drop More Crop)? (GeoSci'24)

- (a) This scheme focuses on enhancing water use efficiency at farm level through micro-irrigation.
- (b) The cost is shared by the Central Government and the State Governments in the ratio of 50 : 50.
- (c) It is a Centrally sponsored scheme. (d) It is implemented under Rashtriya Krishi Vikas Yojna.

40.6.5 🌧️🧐🚰 Water Schemes → Namami Gange Yojana (2015)

- 1986: Ganga Action Plan by PM Rajiv Gandhi.
- 2008-09: Ganga was declared the 'National River'
- 2015: Modi repacked previous schemes / initiatives under 'Namami Gange'. Boss? Water Resources Dept. Central Sector Scheme = 100% funded by union
- To make Ganga pollution free in the next 5 years through Sewage / Effluent Treatment Plants (गंगा पानी साफ करने के संयंत्र), Information, Education & Communication (IEC: सूचना, शिक्षा और संचार) etc.

40.6.6 🌧️🧐🚰 Water Schemes → Jal Kranti Abhiyan (2015)

Boss? Water Resources Dept. : In every district, 2 villages facing acute water shortage (पानी की तीव्र कमी) are designated as 'Jal Gram' and efforts are made to turn them into 'water surplus' villages.



- This is not a separate scheme. ₹ is mobilized from others schemes like Pradhan Mantri Krishi Sinchayee Yojana, NRDWP, MNREGA etc. to create dugwells, watershed, artificial recharge tanks etc. water assets. (दूसरी योजनाओं का पैसा इधर-उधर से बटोर के चलाते हैं)

40.6.7 🌧️👤🚰 Water Schemes → Jal Shakti Abhiyan (2019 onwards)

For generating awareness amongst citizens for water conservation.

40.6.8 🌧️👤🚰 Water Schemes → Jal Jeevan Mission (Rural) (2019)

- **Boss?** Jal Shakti Ministry
- **Objective?** Har Ghar Jal (piped water supply) To all rural households by 2024.
- To Cities with million+ population will be encouraged to achieve it in current year (2020) itself.
- Focus on rainwater harvesting, groundwater recharge and using household wastewater for reuse in agriculture. वर्षा जल संचयन, भूजल पुनर्भरण और कृषि में पुनः उपयोग के लिए घरेलू अपशिष्ट जल का उपयोग करना।
- Previous scheme NRDWP scheme subsumed into this new scheme. (पुरानी योजना इसमें हुई विलीन)
- **Funding?** Govt aims to spend ₹ 3.60 lakh crores in this by converging with other Central and State Govt Schemes and using their funds. Further, if required, the Govt will also use additional funds available under the Compensatory Afforestation Fund Management and Planning Authority (CAMPA- क्षतिपूर्क वनीकरण कोष प्रबंधन और योजना प्राधिकरण)

AB CD MCQ. Find wrong about Jal Jeevan Mission? (CAPF-2025)

- (a) It was established in the year 2016. (WRONG - 2019)
- (b) It aims to improve quality of life in rural areas.
- (c) It is to provide functional tap water connections to every rural household.
- (d) It is a centrally sponsored scheme.

40.6.9 🌧️👤🚰 Water Schemes → Jal Jeevan Mission (Urban) (2021)

📅 Budget-2021: Jal Jeevan Mission (Urban), will be launched

- 1) To provide Functional Household Tap Connection (FHTC) to houses in all 4378 Urban Local Bodies. (शहरी आवास को नल द्वारा पानी)
- 2) This mission will also provide liquid waste management in 500 AMRUT cities. (What are AMRUT cities? = Ref#5: Urban infrastructure) (तरल अपशिष्ट प्रबंधन)

40.6.10 🌧️👤🚰 Water Schemes → ATAL Bhujal Yojana (=ATAL JAL) (2019)



- **Boss?** Jal Shakti Ministry. **Funding:** 50:50 by Union + World Bank.
- This scheme is **not meant for entire India** but only in the selected areas of selected 7 states facing extreme water shortages viz. Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh. (सिर्फ चुनिंदा राज्य जहां पानी की बहुत किल्लत)



- Panchayat led ground water management and behavioral change (व्यवहार / वर्तन में परिवर्तन). Better performing gram panchayats, will be given more funding allocation.
- Villagers formed into 'Water User Associations' → try to minimize water wastage, build water assets, IEC etc. (पानी के व्यय बर्बादी को रोकना)

40.6.11 🌧️👤💧 Water Schemes → Misc. Schemes (विविध छिटपुट योजनाएं)

Boss? Jal Shakti Ministry. Central Sector Schemes = 100% funded by union (In the sense that states are not required to give money) + Additional loans from World Bank.

DRIP (2012)	- Dam Rehabilitation and Improvement Program. - DHARMA webportal: to monitor safety of dams in India, minimize loss of life and property damage in case of dam overflow / disaster.
National Hydrology Project (2016)	- Objective? Remote Sensing for water resources, flood forecast etc. (सुदूर संवेदन के द्वारा जल संसाधन और बाढ़ का पूर्वानुमान)
NABARD	- Budget-2017: NABARD given funds for long term irrigation infrastructure (20k cr) and Micro Irrigation (5kcr)

40.6.12 🌧️📈 Agri-Input → Water → Composite Water Management Index

⇒ NITI Aayog divides India in: 1) non-Himalayan states 2) North-Eastern and Himalayan states, 3) Union Territories (UTs).

⇒ NITI ranks them into nine themes and 28 indicators against the base year 2017-18.

40.6.13 🌧️📈 Agri-Input → Water (irrigation) → River Interlinking in Budget-2022

1. River inter-Linking project. Self-study in Geography for more on this topic.
2. 🛒💧 Budget-2022:- Funding for river interlinking: Ken-Betwa, Damanganga-Pinjal, Godavari-Krishna, Krishna-Pennar, Pennar-Cauvery and Par-Tapi-Narmada (although Par-Tapi-Narmada dropped due to public protest) (इन नदियों को आपस में जोड़ने के लिए)

40.6.14 🌧️📈 Irrigation observations by 📖 ES25:

- only 55% sown area gets irrigation. 2/3rd of India's agri land faces drought threat.
- States such as Punjab, Haryana, Uttar Pradesh, and Telangana exhibit high irrigation coverage. So their farmers are less vulnerable to drought, compared to Jharkhand and Assam
- GIS/Apps like CLART GIS and AVNI Gramin app can identify water bodies through geo-tagged images.
- Rejuvenating water bodies (RWB) across India is required. can also give environmental, economic, and social benefits.

📖 ? MCQ. Find correct statement(s): (UPSC-Prelims-2020)

- 1) 36% of India's districts are classified as "overexploited" or "critical" by the CGWA.
- 2) Central Ground Water Authority (CGWA) was formed under Environment (Protection) Act.
- 3) India has the largest area under groundwater irrigation in the world.

Codes: [a] 1 only [b] 2 and 3 only [c] 2 only [d] 1 and 3 only



40.7 🌽👤🔬 AGRI-INPUT → FERTILIZER (उर्वरक / खाद)



(Introduction: Definition) **Manure / Compost** is a natural substance from decomposition of organic waste. Whereas, **Fertilizer** is an artificial chemical prepared in factories to boost nutrients in the soil.

Fertilizers	Notes
Nitrogen (N) Urea	- Haber process for converting nitrogen into ammonia. - Natural Gas (Methane: CH_4) → Hydrogen (H_2). → then $3 \times \text{Hydrogen} + 1 \times \text{Nitrogen} \rightarrow \text{Ammonia (NH}_3\text{)} \rightarrow$ further processing to make Urea. - Therefore, Urea production requires natural gas import. - Ministry of Chemicals and Fertilizers statutorily fixes the Maximum Retail Selling Price (MRP) of urea using Essential Commodities Act, 1955 → Fertilizer (Control) Order, 1985. Then ministry gives companies subsidy for their losses. [यूरिया के बिक्री के दाम कानूनन रूप से रसायन और उर्वरक मंत्रालय तय करता है और कंपनियों को होने वाले नुकसान की भरपाई के लिए मंत्रालय कम्पनियों को सब्सिडी देता है] - Urea subsidy is a Central Sector Scheme = 100% paid by Union. (i.e. State Government not required to contribute money). - 2022: Urea 45 kg bag price = ₹242/- (fixed by Government)
Phosphorous (P)	~80-85% demand is met via import. ISRO using remote Sensing technology to identify the potential mines for rock phosphate.
Potash (K)	- India is 100% import dependent for Muriatic of potash (MOP) fertiliser- 33% of this comes from Russia & Belarus but due to Ukraine war 2022, supply chain is affected. (भारत आयात पर निर्भर, किंतु यूक्रेन युद्ध के चलते आपूर्ति में समस्या) - Govt encouraging "Potash Derived from Molasses (PDM)" fertilizer. Molasses is a byproduct in Sugar Mills. So in future our import Reliance can decrease.

Ideal Nitrogen: Phosphorus: Potassium (NPK) ratio in soil: 4:2:1, for India it's 8:3:1 because subsidized cheap Urea → illiterate farmers use excessively. As a result →

1. Soil & groundwater pollution. (यूरिया के अत्यधिक उपयोग के चलते जमीन और भूजल प्रदूषण)
2. Subsidized urea smuggled to non-agro purpose in chemical industries related to dyeing, inks, coatings, plastics, paints even synthetic milk. (गैर कृषि उपयोग के लिए तस्करी)
3. Subsidized urea also smuggled to Bangladesh and Nepal. (सस्ते यूरिया की पड़ोसी देशों में तस्करी)
4. Increased use & smuggling → increased subsidy burden → increased fiscal deficit.

So Govt. initiated one following reforms to control urea Misuse/Overuse/Diversion:

40.7.1 👤🔬🔑👤 Prevent urea misuse → Nutrient Based Subsidy (2010)

- पोषक तत्व आधारित सब्सिडी. Central Sector Scheme = 100% Paid by Union (i.e. State Government not required to contribute money).



- **Boss?** Ministry of Chemicals and Fertilizers gives subsidy to company based on weight of the different nutrient in the fertilizer. E.g.

Nutrient	N (Nitrogen)	P(Phosphorus)	K(Potash)	S(Sulphur)
₹ Subsidy per kg (fictional number for e.g.)	₹19	₹15	₹11	₹4

- Above subsidy given to companies for producing non-UREA type “customized/mixed” fertilizer according to soil requirement in each region.
- Example diammonium phosphate (DAP)- which contains Nitrogen (N) and Phosphorus (P).
- ☹️**Challenge?** 1) Urea not covered in this scheme, Urea subsidy paid separately. Sometimes government clears the urea subsidy files in faster manner but delays in NBS subsidy payments. Because Government does not have enough money to clear all subsidies at once. Therefore Fertilizer companies focus more on urea than other fertilizers → shortage in supply of non-Urea fertilizers → Urea overuse continued (गैर-यूरिया सब्सिडी का भुगतान सरकार वक्रत पर नहीं कर पाती क्योंकि सरकार को पैसों की किल्लत है। इसलिए कम्पनियां यूरिया उत्पादन पर ज़्यादा जोर देती है → बाज़ार में यूरिया ही ज़्यादा उपलब्ध रहता है इसलिए किसान यूरिया इसकी ज़्यादा खरीदते हैं क्योंकि गैर-यूरिया खाद आसानी से उपलब्ध नहीं होती है।)
- 2) because of the ongoing Russia Ukraine war: supply shortage in international market → fertiliser prices are likely to ↑ so govt may have to pay more quantity of subsidy to prevent the price ↑ . (युक्रेन युद्ध के चलते आयातित रसायनों/उर्वरकों की किल्लत के चलते दामों में वृद्धि होने का भय, सिवाय कि सरकार कम्पनियों को दे दनादन सब्सिडी देकर, दाम बढ़ने से रोकें।)

40.7.2 🧑🌾🔍️📱 Prevent urea misuse → Soil Health Card (2015) (मृदा स्वास्थ्य कार्ड)

- **Boss?** Agro Ministry. Core Scheme = not 100% funded by Union.
- contains the status of soils with respect to 12 parameters →

Macronutrients	N, P, K
Micro - nutrients	Zn, Fe, Cu, Mn, Bo
Secondary- nutrient	S: Sulphur
Physical parameters	pH, electrical conductivity (EC), Organic Carbon (OC)

- A farmer's land is tested & he is given updated soil card once in every 3 years.
- The card also advises on which type of crops, seeds, fertilizer, irrigation method will be suitable for his farm, according to his soil type. (किसान को सलाह दी जाएगी कौन सी फसल बीज उर्वरक सिंचाई उपयुक्त है)

40.7.3 🧑🌾🔍️ Soil Health card → 🧑🌾 Bhu-Vision/Krishi-RASTAA Soil Testing Equipment

- This machine can do soil sample testing for 12 parameters and send a soil health card to mobile phones in 30 minutes. Earlier, this process took 3 to 4 hours. (यह ऐसी मशीन है जो मिट्टी में पोषक द्रव्यों का पृथक्करण 30 मिनट में ही ड्रोबाइल फ़ोन पे है मृदा स्वास्थ्य कार्ड भेज देती है।)
- Developed by ICAR' Indian Institute of Rice Research (IIRR) with help of pvt companies.



40.7.4 🧑🔬🔑🧑 Prevent urea misuse → Neem Coating of Urea (2015)

Boss? Ministry of Chemicals and Fertilizers. From 2015, Government made it mandatory for fertilizer companies to neem coat the urea before selling it. **Benefits?** →

1. Prevents diversion of subsidized urea towards non-agricultural purposes.
2. Neem coating slows down the rate of dissolution of urea in soil → Improves the plant's absorption of Nitrogen from the urea → Yield is increasing ↑ . (पैदावार में बढ़ोतरी)
3. ↓ reduced pest and disease attack → Pesticide consumption is also ↓ . (कीटनाशक कम चाहिए)

AB CD ? MCQ. Why Govt promotes the use of Neem-coated Urea' in agriculture? (Prelims-2016)

- (a) Release of Neem oil in the soil increases nitrogen fixation by the soil microorganisms
- (b) Neem coating slows down the rate of dissolution of urea in the soil
- (c) Nitrous oxide, a greenhouse gas, is not at all released into atmosphere by crop fields
- (d) It is a combination of a weedicide and a fertilizer for particular crops.

AB CD ? MCQ. Find correct statement(s) about chemical fertilizers in India (Prelims-2020)

- 1) Retail price of chemical fertilizers is market-driven and not administered by the Government.
- 2) Ammonia, which is an input of urea, is produced from natural gas.
- 3) Sulphur, which is a raw material for phosphoric acid fertilizer is a by-product of oil refineries.

Codes: [a] 1 only [b] 2 and 3 only [c] 2 only [d] 1, 2 und 3

40.7.5 🧑🔬🔑🧑 Prevent urea misuse → DBT of fertilizer (2018)

Boss? Ministry of Chemicals and Fertilizers. (रसायन और उर्वरक मंत्रालय)

- Direct Benefit Transfer (प्रत्यक्ष लाभ अंतरण) in fertilizer: Fertilizer companies are paid subsidy only after the retailer has sold the fertilizer to farmer through Point of Sale (PoS) devices & noting down his Aadhaar Card/ Kisan Credit Card/Voter Identity Card etc. to verify his identity as farmer. → Then Govt transfers the subsidy ₹ ₹ directly into the bank account of the respective fertilizer company. (कंपनी साबित करे कि फर्जी किसान को नहीं बेचा तभी सरकार कंपनी को सब्सिडी देगी)

🧑🔬 **Benefits?** Prevents diversion of subsidized urea towards non-agricultural purposes and towards Bangladesh / Nepal. (सिवाय के बांग्लादेशी घुसपैठिए नकली आधार कार्ड बनवा कर ले जाए)

40.7.6 🧑🔬🔑 Prevent urea overuse → Nano-Urea- suggested by 📖📖 ES22

📖📖 ES22: We should encourage Nano Urea To protect soil & ↑ fertiliser efficiency

Parameters	🧑 Normal 'powder/solid' Urea	🧑 Nano-Urea
Qty required for 1 acre	90 kilogram	500 ml
Price	₹500+	₹240 per bottle (By IFFCO#)

#IFFCO- Indian Farmers Fertiliser Cooperative (IFFCO)- claims to be first company in the world to produce liquid Nano urea in 2021.

40.7.7 Nano-DAP in 📖 Interim-Budget-2024:

- DAP, or di-ammonium phosphate: 2nd most commonly used fertiliser in India after urea.



- It is high in phosphorus (P) that stimulates root development — without which plants cannot grow to their normal size
- That's why, DAP is applied just before, or at the time of sowing.
- 2023: IFFCO launched Nano DAP liquid @ ₹600 for 500 ml. Which is much cheaper than powder bag @1350/50kg.
- 🛒 Interim-Budget-2024: we'll promote the use of Nano-DAP across all parts of India.

40.7.8 Pradhan Mantri Kisan Samridhi Kendra (PMKSK-2022):

- ⇒ Boss? Ministry of chemicals and Fertilizers
- ⇒ To convert the existing fertilizer retail shops into Model Fertilizer Retail Shops, called Pradhan Mantri Kisan Samridhi Kendra
- ⇒ These shops will act as “One Stop Shop” for all the agriculture related inputs (seeds, fertilisers, pesticides etc) and services.

40.7.9 🧑🔬🔑🧑 Prevent fertilizer misuse → PM-BJP/One Nation One Fertiliser

🧑 Boss: Ministry of Chemicals and Fertilisers

- ⇒ Scheme name: “Pradhanmantri Bhartiya Janurvarak Pariyojna” (PMBJP) / One Nation One Fertiliser
- ⇒ Objective: If company receiving fertiliser subsidy from government → company has to use govt-mandated brand name, logo and bag-colour design. (यदि कोई कंपनी भारत सरकार से उर्वरक की सब्सिडी प्राप्त कर रही है तो उसने उर्वरक फर्टिलाइजर की थेलियों पर केवल, सरकार द्वारा निर्धारित नाम-लोगो इत्यादि इस्तेमाल करना होगा.)
- ⇒ Single brand name for UREA, DAP, MOP and NPK etc. would be BHARAT UREA, BHARAT DAP, BHARAT MOP and BHARAT NPK etc. respectively
- ⇒ A logo showing “Pradhanmantri Bhartiya Janurvarak Pariyojna”.

🧑 Benefit?

- ⇒ 1) Easy to spot such fertiliser bags so, if any smuggling/ diversion being done then easily it can be detected. (तस्करी हो रही होगी तो तुरंत दिख जाएगा।)
- ⇒ 2) Govt can claim credit / fame among farmers. Farmers become aware / sensitive about the subsidy being paid by Govt, and engage more positively towards the future reforms of Govt. (किसानों के बीच सरकार की छवि में सुधार हो और सरकार द्वारा भविष्य में किए जाने वाले कृषि सुधारों का वो समर्थन करें)

40.7.10 🧑🔬🔑🧑 Reduce Fertilizer use : PM PRANAM scheme in 🛒 Budget-2023

- ⇒ Boss: Ministry of chemicals and Fertilizers
- ⇒ Objective: To reduce the use of chemical fertilisers.
- ⇒ Mechanism: if state govt manages to reduce the fertiliser consumption, & saves say Rs.100 cr subsidy bill for Union, then Union to give Rs.50cr as grant to the state government. (numbers are imaginary, because scheme features yet to be launched).
- ⇒ Scheme became necessary because fertiliser subsidy bill has increased to Rs 2.25 lakh crore in 2022-23. - Government does not have enough fiscal resources to sustain such subsidy burden.



(PM प्रणाम योजना: यदि कोई राज्य सरकार ऊर्वरक/फर्टिलाइजर उपभोग में कटौती करवाती है, तो केंद्र सरकार उस राज्य सरकार को अनुदान के रूप में पैसा देगी। केंद्र सरकार के भारी सब्सिडी बोझ को कम करने के लिए यह ज़रूरी है)

40.8 🌽🐞 AGRI-INPUT → PESTICIDES & WEEDICIDES



(Introduction: Definition) Pesticides and weedicides (कीटनाशक, खरपतवार नाशक) are chemicals which are used for killing / controlling pests and weeds respectively.

- ⇒ 25% crop loss on account of pests, weed, diseases but India's per hectare pesticide consumption is far less than first world. We should encourage organic pesticides and biocontrol agents.
- ⇒ We should adopt **Integrated Pest Management** (IPM: एकीकृत कीट प्रबंधन) approach i.e. rather than eradicating pest population to 100%, just try to keep crop damage to economically tolerable level. Because even pests are important for biodiversity protection and food chain balance.
- ⇒ Spread awareness about proper use of chemical pesticides (esp. Endosulfan) so it doesn't contaminate in food / land / water / human bodies excessively. (सावधानीपूर्वक उपयोग के लिए जागृति)
- ⇒ **Homework-Self-Study:** Locust disaster Management. (टिड्डी आपदा प्रबंधन)
- ⇒ 🎓👉 Pesticides Management Bill, 2020 to regulate the trade, storage & use of pesticides but NOT veryIMP4EXAM. #🕒थोड़ा-पढ़ो-आगे-बढ़ो

40.9 🌽🚫🧪 AGRI INPUTS → DON'T USE CHEMICALS → PKVY (2015)



(Intro: Definition) Organic farming is a type of agriculture that avoids the use of synthetic fertilizers, pesticides, and other chemical inputs. It relies on crop rotation, crop residues, manures, biofertilizers, biopesticides etc. (जैविक खेती: कृत्रिम उर्वरक, कीटनाशक और अन्य रसायनों का उपयोग न करें.)

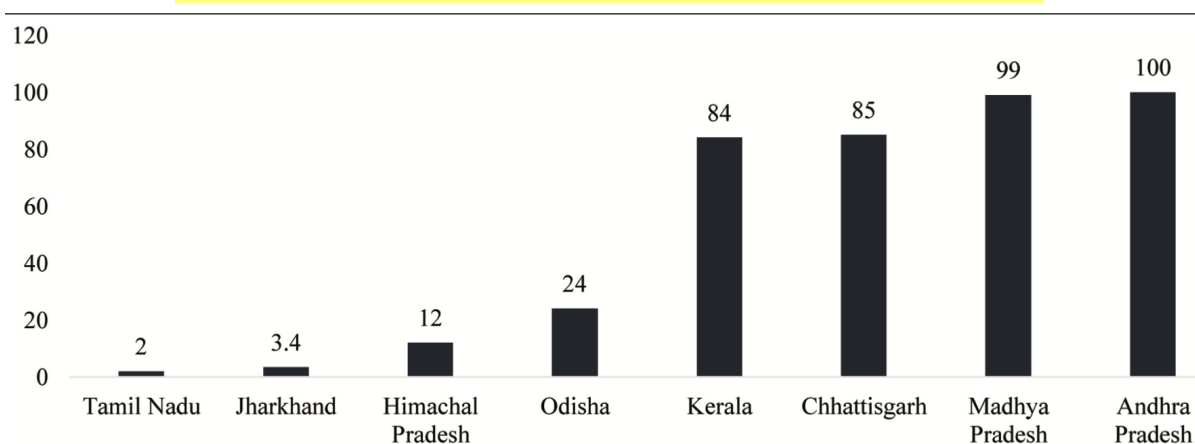
- ⇒ (Data) India has more than 44 lakh organic farmers- it is the highest in the world
- ⇒ 🏆 **Ecological benefits?** Less use of chemicals → biodiversity protected, less soil water air pollution (because farmers will not burn the crop residue). [जैव विविधता का रक्षण होगा]
- ⇒ 🏆 **Economic benefits?** 1) organic products command higher prices among the health conscious buyers from developed countries → more exports → less CAD, more farmer's income. 2) less use of chemical fertilizers → governments urea subsidy bill will decline → fiscal deficit can be controlled. (चालू खाता घाटा, सब्सिडी बोझ, राजकोषीय खाध में कमी)
- ⇒ In 2003, Sikkim stopped entry of chemical fertilizers, and its Vidhan-Sabha declared the intention to become a 100% organic state. The goal achieved in 2015. (सिक्किम संपूर्णता जैविक खेती राज्य)
- ⇒ After Sikkim, now Tripura, Uttarakhand also planning to become 100% organic - says 📖ES23



- ⇒ 2015: To encourage organic farming in India, Union Govt. launched Paramparagat Krishi Vikas Yojana (PKVY). **Boss?** Agro Ministry. Core Scheme = Not 100% paid by Union. (60:40,90:10)
- ⇒ **Mechanism?** Form a group of 50 farmers in a cluster to start organic farming. Every beneficiary farmer is given ₹ 20,000 per acre for 3 years for doing organic farming.
- ⇒ Agro Ministry's **Jaivik Kheti webportal** to help organic buyers & sellers connect with each other.
- ⇒ Agro Ministry's **Participatory Guarantee Scheme (PGS: सहभागी गारंटी योजना)** for certification of organic products. It assures the buyers the given fruit/vegetable/produce has organic origin. (जैविक उत्पादों का प्रमाणीकरण)

40.10 🌱🚫🧪 AGRI INPUTS → PKVY (2015) → (BPKP-2021)

Figure 19: Area Covered under BPKP as on 07.12.2021 (in '000 ha).



- 2020: Agri ministry launched Bhartiya Prakritik Krishi Padhati (BPKP) as a sub-scheme of Paramparagat Krishi Vikas Yojana (PKVY) (उप-योजना के रूप में शुरू किया)
- helps farmers with natural farming (don't use chemicals), biomass recycling, cow dung-urine manure, and exclusion of all synthetic chemical inputs. (प्राकृतिक खेती, बायोमास पुनर्नवीनीकरण, गोबर-मूत्र से खाद, और सभी कृत्रिम रासायनिक आदानों का बहिष्कार।)
- BPKP gives ₹12,200 / hectare financial support every 3 years. (वित्तीय सहायता दी जाती है।)

🚩🧐 **FAQ: How is BPKP similar/different than PKVY – it seems to be like old wine new bottle?**

Ans. Not important. To show-off to media, govts usually launch new scheme with same objective. We need to prepare 2-3 lines & move to next topic.

40.10.1 🚫🧪🧪 Zero Budget Natural Farming (ZBNF: शून्य बजट प्राकृतिक खेती)

- 'Zero Budget' means without using any loan, and without spending any money on purchase of inputs (seeds, fertilizers, pesticides). (बीज उर्वरक कीटनाशक में पैसा खर्च किए बिना, कर्ज लिए बिना, खेती करना)
- 'Natural farming' means farming without chemicals. By using biofertilizers, earthworms, cow dung etc. Associated keywords:
 - **Jiwamrita** (microbial culture) and **Bijamrita** (seed treatment solution)
 - Biopesticides: **Agniastra**, **Brahmastra** and **Neemastra**



- Most of the above are made from Cow-urine.
- 'Waaphasa' (giving water outside the plant's canopy),
- ZBNF saves farmers from debt-traps; and protects the environment, soil and biodiversity. (कर्ज के विष चक्र; पर्यावरण, मिट्टी और जैव विविधता की रक्षा)
- Practice first started in **Karnataka by Subhash Palekar. Himachal, Andhra** also frontrunners.
- 📅 Budget-2019 promised to expand ZBNF in other parts of India. Govt encourages it under launched Bhartiya Prakritik Krishi Padhati (BPKP)
- 📅 🍷 Budget-2022:- Chemical-free Natural Farming will be promoted esp on farmers' lands in 5-km wide corridors along river Ganga (गंगा नदी के 5 किलोमीटर इलाके में रसायन मुक्त प्राकृतिक खेती बाड़ी को प्रोत्साहन दिया जाएगा)
- 📅 🍷 Budget-2022:- SC/ST farmers to be given funding for agro forestry. Agro forestry is integrating trees with crops and animals e.g. Bamboo & Oil-Palm trees in farm land. (अनुसूचित जाति और जनजाति के किसानों को एग्रोफोरेस्ट्री के लिए पैसा देंगे).

40.10.2 🚫🧪🤔 Organic farming & ZBNF → Limitations? (मर्यादा/चुनौतिया)

1. Organic farming yield (quantity produced per acre) is lower than conventional chemical-based farming. (पारंपरिक रासायनिक आधारित खेती की तुलना में कम उपज)
2. In recent years Sri Lankan govt suddenly promoted too much organic farming, discouraging the import of chemicals pesticides and fertilisers. 🤔 Crop yield/production qty ↓ because fertilizer not used → food supply ↓ → food inflation ↑, food becomes expensive for consumers, food exports declined ↓. 2021: Now Lankan government has realised its mistake & began encouraging use of chemical fertilizer for tea, rubber and coconut (श्रीलंका सरकार ने जैविक खेती को ज़रूरत से ज़्यादा प्रोत्साहन दे दिया और वहाँ अब फसल पैदावार काफ़ी कम हो गई है. जिसके चलते खाद्य महंगाई में बढ़ोतरी और कृषि निर्यात में कमी आयी है। तो श्रीलंका सरकार को गलती समझ में आयी, वापस रासायनिक उर्वरक के उपयोग पर ज़ोर दे रहे हैं।)
3. Difficult to produce off-season crops using organic farming. so if entire India became "100% organic farming" → food shortage → inflation. (उत्पादन में कमी के चलते खाद्य असुरक्षा और महंगाई)
4. Shelf life, colour and texture of organically grown fruits/vegetables are less attractive than chemically grown hybrid / GM varieties. So, unless ordinary consumers are made aware of their health benefits they may not buy. (जैविक फल सब्जियाँ जल्दी बिगड़ जाते हैं, रंग-बनावट आकर्षक नहीं)

40.10.3 🚫🧪👉 Conclusion: Organic farming / ZBNF

- ✓ (SDG) New India Vision 2022 requires doubling farmers' income, while Sustainable Development Goal No.2 requires nations to adopt agriculture practices that improve land and soil quality & protect the genetic diversity of flora-fauna. (सतत विकास लक्ष्य और किसानों की आय को दुगना)
- ✓ Given the aforementioned ecological and economic benefits of organic farming /ZBNF, it can help us achieve both the targets. (पर्यावरण और आर्थिक नजरिए से बहुत फायदेमंद)



40.10.4 🌱☀️ Sustainability in Agriculture 📖 ES25:

- ICAR developed a Composite Index of Agricultural Sustainability was using 51 indicators related to environmental health, soil and water quality, and socioeconomic development.
- The average estimated value of the Index is 0.49= Indian agriculture is moderately sustainable.
- 😊 Mizoram, Kerala, Madhya Pradesh, Andhra Pradesh, Manipur, West Bengal, and Uttarakhand better than the national average.
- 😞 Rajasthan worst performing.

40.10.5 🌱☀️ Sustainability- 100 Million Farmers by WEF

- It is a multistakeholder platform for net-zero and nature-positive food systems by 2030.
- Mastermind? World Economic Forum Switzerland.

40.11 🌽🚜 AGRI INPUTS → FARM MECHANIZATION (मशीनीकरण)



(Intro: Definition) It means the higher usage of combine harvesters, land levelers, cultivators, tractors, reapers, threshers, trolleys and mechanical pickers etc. (कृषि में मशीनों का ज्यादा उपयोग)

⇒ **Significance?** (1) ↑ productivity of land, labour by increasing work output per unit time. (2) ↑ employment opportunities to rural youth in production, operation, and repair-maintenance of machines. (उत्पादन, संचालन और मरम्मत-रखरखाव में ग्रामीण युवा को रोजगार)

⇒ **Labour augmenting technological progress:** Allows each laborer to be more productive e.g. Industrial revolution → James Hargreaves' Spinning Jenny that allowed each worker to spin eight cotton threads at once (1770).

⇒ **Capital augmenting technological progress:** Allows capital assets / machinery to be more productive. E.g. wooden plough replaced with steel plough → more sturdy, requires less maintenance & repairs, resistant to water-fungal attacks.

⇒ After MNREGA scheme (wherein villagers are guaranteed 100 days of unskilled manual work), the Punjab-Haryana farmers are facing shortage of farm-laborer in peak season, & forced them to offer higher wages → many of those farmers opting for machinery to reduce labour requirement. (पंजाब हरियाणा में कृषि मजदूरों की कमी के चलते मशीनों का उपयोग ज्यादा)

AB CD ? MCQ. The substitution of steel for wooden ploughs in agricultural production is an example of _____ technological progress. (Asked in UPSC-Pre-2015)

(a) labour-augmenting (b) capital-augmenting (c) capital-reducing (d) None of the above.

AB CD ? MCQ. Private investment in Indian agriculture is mostly on labour saving mechanization. This could be a response to (Asked in UPSC-CDS-2015-II)

(a) rising productivity of agricultural sector (b) rising inequality in agriculture



(c) rising wages and tighter labour market

(d) debt write-off by the Government

40.11.1 🚜🧑🌾 Agri Inputs → Farm Mechanization: Challenges?

⇒ Indian tractor industry is the largest in the world, accounting for 1/3rd of total global production.

Nearly 80,000 tractors exported every year to African and Asian nations. But within India, the utilization is low. India farm mechanization (40%) < China (60%) < Brazil (75%) < USA (95%).

⇒ Customized machinery required for India's soil and climatic diversity so R&D, Make in India required. Small-marginal farmers lack financial resources to own machines so renting centres should be setup. (भारत की जमीन और आबोहवा की विविधता के अनुरूप यंत्रों का संशोधन और विकास किया जाए)

⇒ 🧑🌾 Agri Ministry **Scheme?** 2017: Green Revolution - Krishonnati Yojana → Sub-Mission on Agricultural Mechanisation (SMAM): to address above challenges.

⇒ 🧑🌾 Agri Ministry launched Mobile App called FARMS (Farm Machinery Solutions) for farm machinery renting.

⇒ 🛒 Budget-2022:- 'Kisan Drones' for crop assessment, digitization of land records, spraying of insecticides, and nutrients. (फसल निरीक्षण, जमीन दस्तावेजों को डिजिटल बनाना, किट-नाशक दवाई तथा पोषक-तत्वों के छिड़काव के लिए "किसान ड्रोन" को प्रोत्साहन देंगे)

40.11.2 🧑🌾 Agri-Drone buying ke liye Subsidies

Scheme Sub-Mission on Agricultural Mechanization (SMAM) by Agro Ministry.

Beneficiary	Amount
If Agriculture graduates wants to set up drone hiring centre	50% subsidy. Max limit: Rs. 5 lakh
woman/SC/ST/Small Marginal / NorthEast farmer wants to buy drone	same as above
Women self help group (SHG) wants to buy drones.	- If price of Drone + accessories = Rs.10 lakh then Union to pay 80% subsidy (8 lakh) see next section for NAMO Drone DIDI

40.11.3 🧑🌾 Farm Mechanization → DAY-NRLM → Nammo Drone Didi

Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM) → sub-scheme NAMO DRONE DIDI. (More about DAY-NRLM in Pillar6-Poverty)

- Give drones to 14500 selected Women SHGs in 2024-26.
- These women-SHG will give rental drone-services to farmers for spraying liquid fertilizers and pesticides.
- Under the scheme, not only the drones but, drones as a package will be supplied.
- The package will have drone with spray assembly, battery, charger, drone-camera, etc. and 1 year onsite warranty on all items.
- SHG members will be given training for drone-flying, repair-fitting etc.
- 💰 **Funding?** Central Sector Scheme = State govts not required to give money.



- 💰 To purchase drone & accessories : Union Govt pays 80% + SHG pays 20%.

What?	Who?
Boss?	Ministry of Rural Development
Operation guidelines?	Issued by the Department of Agriculture and Farmers' Welfare (in 2024)
Coordination?	A committee of Secretaries (IAS) from the Ministry of Agriculture, Ministry of Rural Development, Ministry of Fertilizers, Ministry of Civil Aviation, and Ministry of Women and Child Development

40.12 🌽🔪💰 AGRI INPUTS → FINANCE / CREDIT: ऋण

(Intro: Origin) Small and marginal farmers produce little marketable surplus, and often deprived of the remunerative prices even during bumper crops, so without borrowing they can never buy inputs for the next cropping cycle. (छोटे सीमांत किसानों के पास बेचने के लिए विपुल मात्रा में अनाज होता नहीं और अच्छी पैदावार के दौरान भी, बाजार में अच्छे मूल्य मिलते नहीं हैं, इसलिए हमेशा वे कर्ज में डूबे रहते हैं)

⇒ Economic Survey 2016 found an inverse relation between size of landholding vs. Indebtedness (ऋणग्रस्तता) of farmers i.e. small/marginal farmers are more indebted than big farmers.

⇒ 📦 ES20: The share of North Eastern States <1% in total agricultural loans.

⇒ 🏠 Budget-2020: 1) Agriculture credit target for the year 2020-21 has been set at ₹15 lakh crore. NABARD will provide a refinance facility for this. 2) if a PM-KISAN beneficiaries doesn't have Kisan Credit Card (Ref:Pillar#1D), he will be given such a card.

⇒ 🏠 Agri Loan Targets in Recent Budgets: ₹16.5 lakh cr (2021), ₹18 Lcr (2022).

Table 1: notable steps to enhance credit availability to farmers →

RBI's PSL norms: रिजर्व बैंक द्वारा प्राथमिक क्षेत्र के ऋण मानक	Ref: Pill#1A2 – Monet.Policy
Nationalisation of banks after the Independence. Setting up of differential banks (RRB, LAB, SFB).	Ref: Pill#1: Bank Classn.
Kisan credit card, interest subvention scheme,	Ref: Pill#1D: Fin.inclusion

40.12.1 🌽🔪 Agri loans - Kisan Rin Portal (KRP) very great says 📦 ES25

- Share of non-institutional credit (=loans from Baniya, Shahukar etc.) has declined. More and more farmers are now getting loans from banks.
- Modified Interest Subvention- Kisan Credit Card (MISS-KCC) scheme = Govt bears some of the loan interest on behalf of farmers. (Ref: Pillar#1D)

🏠 Before 2023	🏠 From 2023
bankers had to submit claims for MISS-KCC manually to the RBI & NABARD to get ₹ ₹ from govt. = Delay in payments and settlements.	bankers submit online via Kisan Rin Portal (Boss? Ministry of Agriculture). So, money released faster by govt.



40.12.2 🏠 Agri-Finance → Negotiable Warehouse Receipts (NWR)

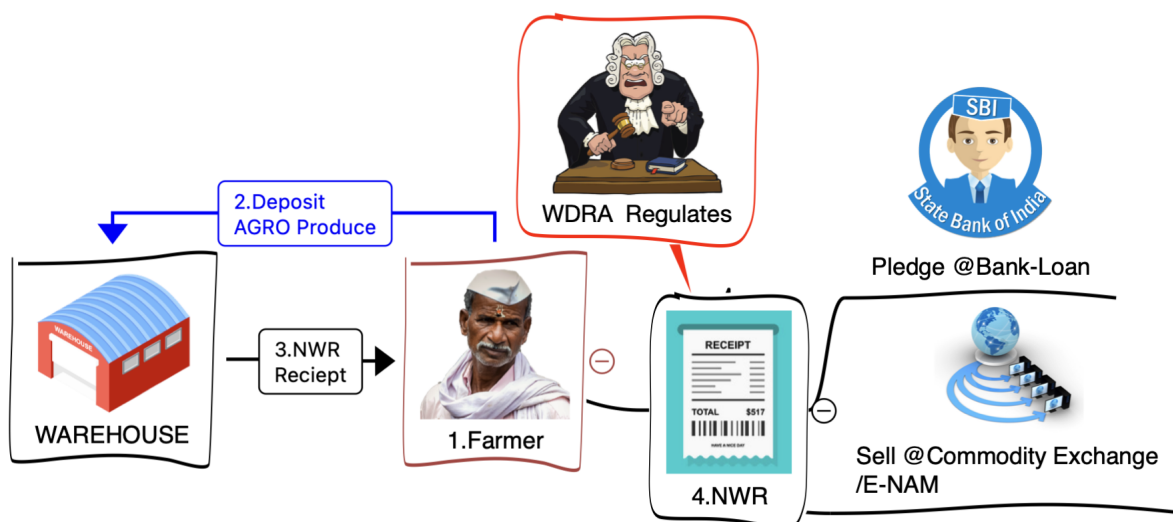
⇒ **Boss?** Ministry of Consumer Affairs, Food & Public Distribution → Statutory Body

Warehousing Development and Regulatory Authority (WDRA: भंडागारण विकास एवं विनियामक प्राधिकरण)- law in 2007.

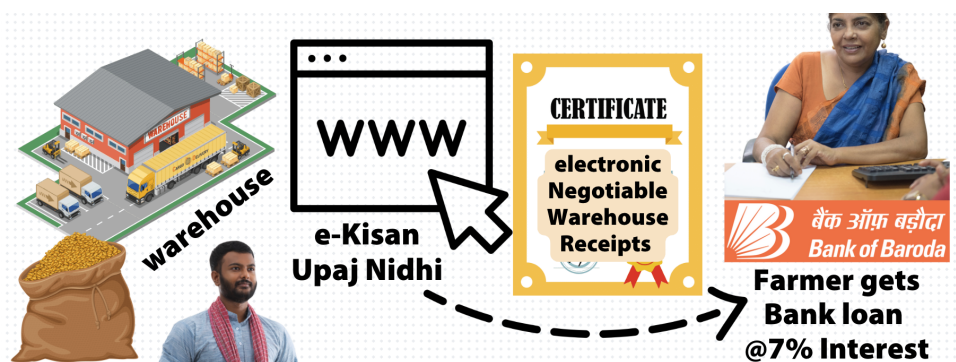
⇒ Farmer deposits his produce into WDRA registered warehouses and gets negotiable warehouse receipt (NWR; परक्राम्य गोदाम रसीद). He can use it in two ways

- Pledge it in the banks to obtain loans for the next cropping cycle. OR
- Trade it via the commodity exchange markets or electronic National Agriculture Markets (e-NAM).

⇒ 🌟 **Benefit?** NWR prevents the distress sale of agriculture produce. Farmer can wait and watch for the prices to improve before selling, while his crop is safely stored in the warehouse.



40.12.3 🏠 Warehousing for small farmers: PM Bhai (2023)



- PM-Kisan Bhai (Bhandaran Incentive) scheme. Boss? Agri Ministry
- To help small and marginal farmers, who do not have money to store their produce in warehouses → so they are unable to wait for better prices and forced to sell quickly (छोटे और सीमांत किसान जिनके पास गोदाम में अलग रखने के लिए पैसा नहीं होता।)

Full details are yet to be worked out. Concept is following as per news-reports:

- 1) Farmers will be given subsidy to pay for the warehouse rent.



- 2) Farmers who have stored their produce in the warehouse= these farmers will get additional loan interest subsidy on Kisan credit card (KCC) loans.

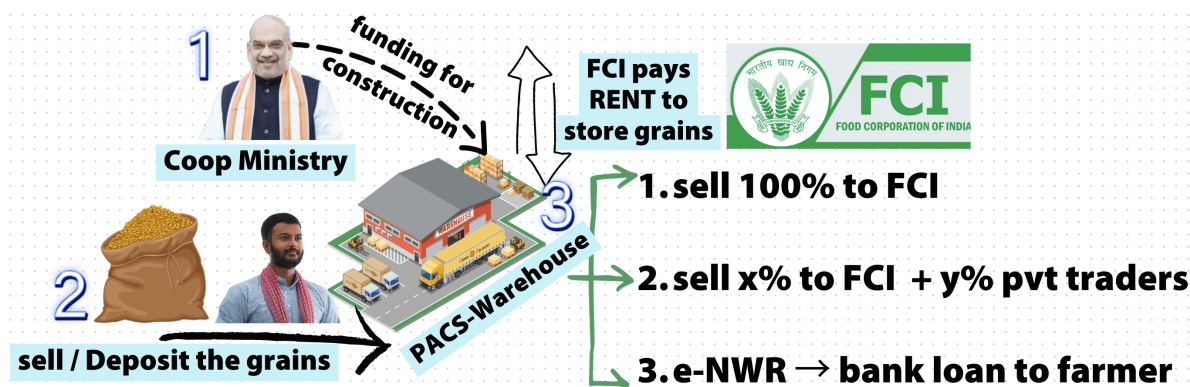
40.12.4 🏠 e-Kisan Upaj Nidhi warehousing scheme (2024)

- Boss? Warehousing Development and Regulatory Authority (WDRA)
- To ease farmers' warehousing logistics problem

Matter	BEFORE	AFTER
No. of registered warehouses?	India has 1 lakh agri-warehouses but only about 5,500 are registered with WDRA.	increase the number of registered warehouses.
Warehouse security Deposit on farmer	3%	1%
Farmer forced to sell produce at cheap price?	Yes, bcoz warehousing was expensive & he cud not get bank loans easily	problem solved, via following process 🙌

- Farmer deposits produce/crops at WDRA registered warehouses.
- warehouse generates electronic Negotiable Warehouse Receipts (e-NWRs)
- Via 'e-Kisan Upaj Nidhi' Portal → farmer shares e-NWR with bankers to get post-harvest loans @7% Interest, without any collateral **
- 🙌 **FAQ: but since farmer is sharing e-NWR with banker - isn't that a collateral?** Ans. I have copied the statements as given in Press release. They didn't bother to clarify/explain it.

40.12.5 🏠 World's largest grain storage programme by Coop Ministry



Country	Storage Capacity as (%) of total production
India	47% (target: 100% by 2047)
Others	USA: 161%, Brazil: 149%, China: 107%,

- 🙌 Boss? Ministry of Cooperation → National Cooperative Development Corporation (NCDC). Plus, support of NABARD, FCI, Central Warehousing Corporation (CWC).
- Funding / support given to Primary agricultural credit societies (PACS) to construct warehouse.



- FCI to pay rent to PACS-warehouses, IF FCI buys MSP-crops & stores them in it.
- Thus, Creation of adequate food grain storage capacity at PACS level will help in reduction of post-harvest loss, enabling farmers to earn better prices/faster bank loans.
- The pilot project @11 PACS in 11 states - Uttar Pradesh (Mirzapur), Madhya Pradesh (Balaghat), Tamil Nadu (Theni), Tripura (Gomati), Uttarakhand (Dehradun), Rajasthan (Sri Ganganagar), Maharashtra (Amravati), Assam (Kamrup), Gujarat (Ahmedabad), Karnataka (Bidar) and Telangana (Karimnagar).
- **FAQ: do I have to be memorise the location?** Ans. Not for this scheme but as for GK-for geography/mapping.

40.12.6 🏠🌾 Warehousing → Flospan & Smart Warehouse - 📖ES25:

Tech	Description
Flospan	is a type of Mobile Storage Unit (MSU). It can be quickly erected with storage capacity of 400 metric tonnes. 🧑 Mastermind? Indian govt with help of UN-World Food Programme (WFP) doing its pilot project in JK, Himachal etc.
Smart warehouses	This warehouse uses sensors to monitor temperature, humidity, airflow, and rodent activity, providing real-time data to improve storage and reduce losses. 🧑 Mastermind? Ministry of Consumer Affairs → Dept of Food and Public Distribution → Indian Grain Storage Management & Research Institute (IGMRI, Harpur, UP)

40.12.7 🌾🔪💰📈 Agri-Finance → Loan waivers for the farmers (किसान को कर्जमाफी)

Shifted to Mains Handout.

40.12.8 🌾🍌 Agri-Input → Risk reduction → Insurance

Refer to Prelims Pillar1D.

40.13 🌾🔥 AGRI-OUTPUT → DON'T BURN THE CROP RESIDUE (फसल-अवशेष/ पराली)



(Intro: Origin) Every year during Sept-October, farmers of Punjab, Haryana, Uttar Pradesh burn the paddy stubble & residue which are leftover from previous cropping season. Burning clears the farm land for sowing wheat for next cropping season. अगले मौसम में गेहूँ उगाने के लिए फसल-अवशेष/ पराली जलाना

- **Result?** Thick smog, air pollution, particulate matter (PM 2.5) in Delhi.
- open burning of crop residues has ill effects on soil organic carbon and soil fertility

🧐 Solutions?

- In-situ composting (स्वस्थानी उपजाऊकरन)
- Machines like Rotary Slasher, Zero Till Seed Drill, Rotavators, 'Happy Seeder: They help in wheat sowing without having to get rid of paddy straw on the land.



- 2015: National Green Tribunal order → Burning crop residue is a crime under Section 188 of the IPC and under the Air and Pollution Control Act of 1981
- Budget-2018: Union to give 100% funding to Punjab, Haryana and Delhi to tackle this menace. Further, individual farmers to be given subsidy for such machinery purchase.
- ES20: PM2.5 emission (g/Kg) from burning crops: Sugarcane (12.0) > Maize (11.2) > Cotton (9.8) > Rice (9.3) > wheat (8.5).
- We should promote crop with lower lignocellulosic content- like potato, soybean etc. because their residue's burning creates less air pollution. (जिन फसलों में लिग्नोसेल्यूलोज की मात्रा कम हो, उनके अवशेष जलाने से कम प्रदूषण फैलता है।)
- Setup biomass depots for storage of crop residues. → use this crop residue in Thermal power plants → Budget 2022 announced use of 5-7% biomass pellets in thermal power plants.
- Biochar briquettes as fuel for local industries, brick kiln and hotel/dhaba

FAQ. i've 500 jaat-ke-doubts/counter arguments about lignocellulosic content in crops. Ans. I have written the sentences given in the economic survey- for the purpose of MCQ. Beyond that. Ask your science doubts to science teacher. 🙏 mere ko maaf karo.

40.14 BUDGET-2023 AND 2024-JULY ON AGRO

AREA	BUDGET- ANNOUNCEMENTS
Coop Societies	- vision of 'Sahakar Se Samridhi'. - Computerisation of 63,000 Primary Agricultural Credit Societies (PACS) will be done - A national cooperative database for GPS mapping of cooperative societies.
Use 'less fertilizer': PM-PRANAM	"PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth". - Union to encourage States and Union Territories to reduce consumption of chemical fertiliser. Union encourages States to adopt alternative fertilisers such as Nano Urea, Nano Diammonium phosphate (DAP), and organic fertilisers.
Organic farming	- We'll setup 10,000 Bhartiya Prakritik Kheti Bio-Input Resource Centres. - To train 1 crore farmers to adopt natural farming.
Farm input	- We'll create creating a national-level manufacturing network for pesticide and micro-fertilizer (e.g. Nano Urea)
Horticulture	Atmanirbhar Clean Plant Program: - To boost availability of disease-free, quality planting material- horticultural crops Vegetable production clusters near big cities 50 multi-product food irradiation units in the MSME sector. (food irradiation increases shelf life of fresh agro produce, removes germs.)
Edible-Oil	Focus on 'atmanirbharta' (Self-reliance) for mustard, groundnut, sesame, soybean, and sunflower.



Agri Startup	Agriculture Accelerator Fund for encouraging agri-startups in rural areas
Millets /Shree Anna	we grow several types of 'Shree Anna' such as kuttu, ramdana, kangni, kutki, kodo, cheena, and sama. we'll give the funding to Indian Institute of Millet Research, Hyderabad (IIMR). It is an org. under under Indian Council of Agricultural Research (ICAR).
Loans	Jan Samarth based Kisan Credit Cards will be issued in 5 states. (Jan Samarth is a government portal to apply for various government loan- schemes.)
Subsidy	Refer to Pillar2B for data on food and fertilizer subsidies.
Irrigation	Upper Bhadra Irrigation Project (Karnataka) given funding.
Fisheries	Shrimp farming and export will be facilitated through NABARD

40.14.1 🍷 Budget-2025: Agro, Makhana-Bihar etc

Project	Location
Makhana Board. Makhana/ fox nuts = edible seeds of the lotus	Bihar. Makhana got Geographical Indication (GI) status in 2022
National Institute of Food Technology, Entrepreneurship and Management	Bihar
₹ ₹ for Western Koshi Canal Project	Mithilanchal region of Bihar
Urea Plant	Namrup, Assam

🍷 Budget-2025: Other announcements for entire India

- Multi-sectoral 'Rural Prosperity and Resilience' programme with states.
- Mission for Aatmanirbharta in Pulses

40.14.2 🧑🌾 Prime Minister Dhan-Dhaanya Krishi Yojana (PMDKY) in 🍷 Budget-2025:

- **Target 100 (backward) districts** on 3 parameters: (1) low productivity (2) moderate crop intensity (i.e. number of crops grown on a piece of land in an agricultural year (July-June) (3) below-average credit parameters
- **Boss?** Ministry of Agriculture and Farmers' Welfare
- Ground implementation by District Dhan-Dhaanya Krishi Yojana (DDKY) Samiti, chaired by the **District Collector (IAS)** or Gram Panchayat.
- **These 100 districts will get 5 benefits viz.** (1) Agri productivity enhancement. (2) crop diversification and sustainable agriculture practices; (3) Post-harvest storage at the panchayat and block level; (4) irrigation facilities Improvement. (5) Loans for long-term and short-term purpose. By convergence of 36 central schemes.
- 💰 **Funding?** ₹24,000 cr in 6 years targeting 1.7 crore farmers.
- PMDKY Scheme is inspired from **Aspirational Districts Programme** (ADP of NITI Aayog) for backward districts.

Next HDT: 4A2 – Agro Output- selling, APMC, MSP, Inflation, Dairy etc.



PILLAR4A2: SECTORS OF ECONOMY → AGRICULTURE - Output, MSP, Selling, Inflation



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40 🌽 AGRICULTURE- OUTPUT / MSP / INFLATION / DAIRY ETC.

40.1 🌽🛒 AGRI-SELLING → APMC (कृषिगत उत्पाद विपणन समिति)

(Intro: Origin) In the Post-independent India, despite the abolition of zamindari, the farmers were not 'liberated' from exploitation. Because, the goons of local Baniyaa or money lender would forcibly take away the farmers' harvest without paying sufficient money. So, state governments enacted APMC laws that "first sale of agriculture produce can occur only at the market yards / Mandis of Agricultural Produce Market Committees (APMC)." (किसानों को साहूकारों के वसूली/शोषण से बचाने के लिए राज्यों ने कानून बनाए कि कृषि उपज की सबसे पहली बिक्री मात्रा एपीएमसी मंडी में ही हो पाएगी)

40.1.1 ⚠️😓 APMC Problems? समस्याएं / चुनौतियां

- 😓 APMC trustees (office bearers) are **politically influential persons**. They enjoy a cozy relationship with the licensed commission agents. These agents form cartel, manipulate prices, deprive farmers of remunerative prices; engage in hoarding & artificial shortage of food supply in the retail market, thereby driving up the food inflation for profiteering. (राजनीतिसे जुड़े तत्व, किसान को अच्छी कीमत नहीं देते, संग्रह-खोरी द्वारा बाजार में चीजों को महंगा करके मुनाफाखोरी करते हैं)
- 😓 APMC trustees lack the managerial skill / vision for vertical integration with food processing industries. [because their only skill is 'Politics', प्रबंधन कौशल्य कम है]
- 😓 While these Mandis charge multiple entry, exit and other fees. But money is siphoned off → poor infrastructure, lack of cold-storage, transport facilities → waste of fruits & vegetables even in good monsoon years. (शीतगार, परिवहन बुनियादी अवसंरचना की कमी के चलते सब्जी फल बर्बाद)

40.1.2 🛠️ Model APMC Act? (आदर्श कानून)

Since **agriculture is a state subject**, ultimately state governments have to reform their archaic laws. Union Government already circulated a model APMC Act, 2003 (सातवीं अनुसूची में राज्य सूची में है)

- It allows the private entrepreneurs and cooperatives to set up their parallel markets, & sell directly to consumers
- It allows the corporate companies to engage farmers in '**contract farming** (अनुबंध खेती)' and directly purchase the produce from farmgate.

40.1.3 ⚖️🌽🛒👤👤 3 Farm laws repealed (2020-21)

For Prelims-RAFTAAR, I'll make very very brief summary. Rest of the arguments shifted to Mains Handout

3 farm laws	Objective
Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance/Act, 2020.	Reform State APMC Acts. Give facility to farmers to sell it to people/organizations outside APMC
Farmers (Empowerment and Protection) Agreement on Price	⇒ Contract farming agreement means an advance agreement between the farmer and the buyer agent,



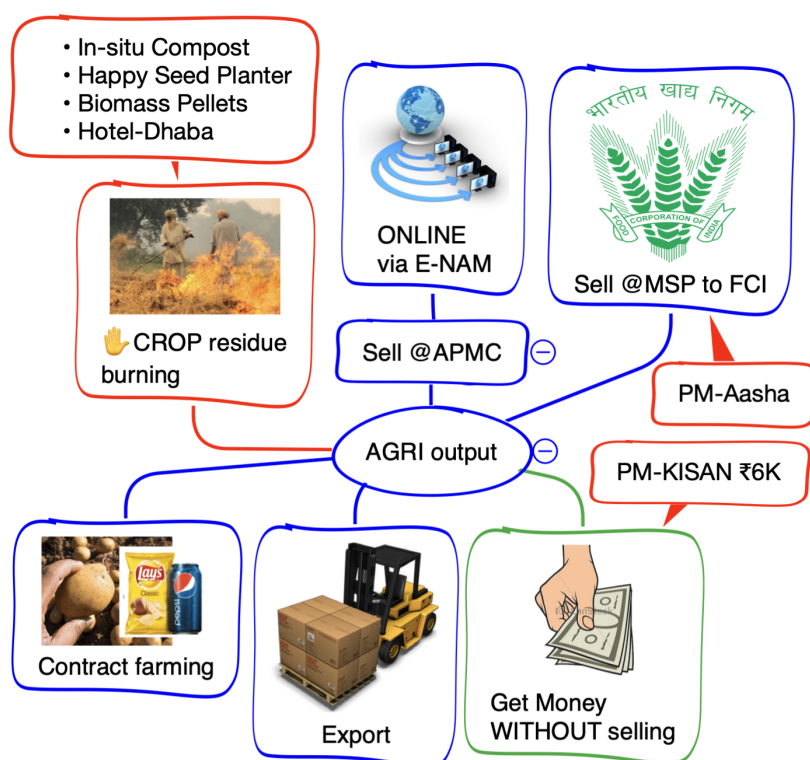
Assurance & Farm Services Ordinance/Act, 2020.	before the production of farm commodities. (अनुबंध खेती: ग्राहक और किसान के बीच, कृषि उत्पादन से पहले, किया गया एक अग्रिम समझौता है) ⇒ This new law aimed to reform the State laws to protect both farmer and buyer (food processing company)
Essential Commodities (Amendment) Ordinance/Act, 2020	⇒ To help food processing companies in stock limits.

But some farmer organizations protested against these laws, ultimately govt repealed these 3 laws.

What were farmers demands? Etc. analysis = SHIFTED to Mains Handout. #Prelims-RAFTAAR.

MCQ. In India, markets in agricultural products are regulated under the (UPSC-Pre-2015)

- (a) Essential Commodities Act, 1955 (b) APMC Act enacted by States
(c) Agricultural Produce (Grading and Marking) Act, 1937
(d) Food Products Order, 1956 and Meat and Food Products Order, 1973



40.2 🌽🛒🗄️ AGRI-SELLING ONLINE → E-NATIONAL AGRICULTURE MARKET (E-NAM)

- **Boss?** Agro Ministry (2016) → Small Farmers' Agribusiness Consortium (SFAC)
- Central Sector Scheme = 100% paid by Union.
- e-NAM (ई-राष्ट्रीय कृषि बाजार) aims to connect the existing 580+ APMC mandis across India through a web portal, thus enabling interstate and intrastate (within state) trade of agricultural commodities. (मंडियों को ऑनलाइन जोड़कर व्यापार में सुगमता)
- Govt is providing free software and ₹ 75 Lakh per APMC mandi for infrastructure creation.



- It'll also remove the information asymmetry between buyers and sellers, and help in real time price discovery based on actual demand and supply. (सूचना की विषमता)
- Budget-2020: Negotiable Warehousing Receipts (e-NWR) will be integrated with e-NAM. This will help merchants buy e-NWR from E-NAM portal.

MCQ. What are the advantages of 'National Agriculture Market' scheme?(Pre-2017)

- It is a pan-India electronic trading portal for agricultural commodities.
 - It provides the farmers access to nationwide market, with prices commensurate with the quality of their produce.
- (C) Both a and b (D) Neither a nor b

40.2.1 Agri-Selling → Gramin Agricultural Markets (GrAMs)

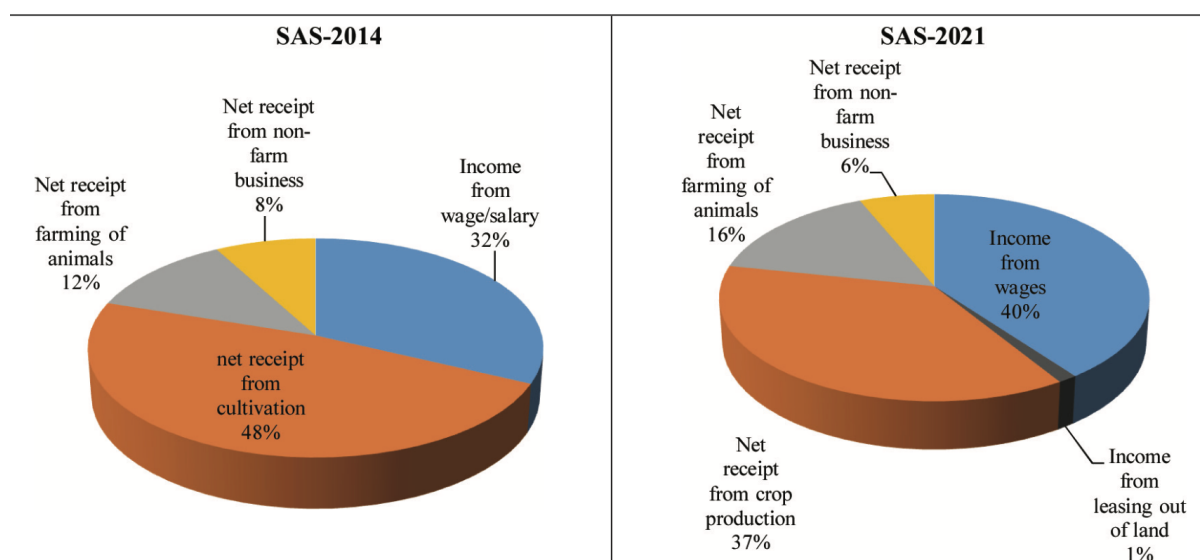
- **Boss?** Agro Ministry (2018) → NABARD fund for Agri-Market Infrastructure Fund (AMIF).
- Gramin Haats are owned by Local Bodies (Panchayats/councils), Agricultural/ Horticultural Departments of State Govts, Cooperatives, APMCs and Private Sector. Total ~22,000 of them. Whereas APMC mandis are barely 580+.
- Budget-2018: 1) we will upgrade Gramin haat into GrAMs (ग्रामीण कृषि बाजार) 2) We'll link them with e-NAM. So, farmers can directly sell from nearby Gram Haat, instead of transporting the produce to the APMC Mandis at the district level.

40.2.2 Agri-Selling → Outside India → Agri Export Policy, 2018

⇒ **Agri Export Policy Boss?** Commerce Ministry. (वाणिज्य मंत्रालय की कृषि निर्यात नीति)

⇒ **Objective** – to improve agri exports. **Salient features** – shifted to Mains Handout.

Figure 16: Composition of Average Monthly Income of Agricultural Households



40.2.3 Agri-Selling → Farmer's income: SAS Survey (स्थिति आकलन सर्वेक्षण)

- Situation Assessment Survey (SAS) of agricultural households conducted by the Ministry of Statistics & Programme Implementation (MOSPI) → National Statistical Office (NSO).
- Latest Report covers timeframe of 2019. It was published in 2021. Notable Findings →



- agriculture household monthly income has ↑ from ₹ 6426 (in 2014) to ₹ 10218 (2019) (एक भारतीय किसान परिवार की औसत आमदनी मुश्किल से 10,000 रुपये प्रतिमाह है).

Highest monthly incomes of farming families	Lowest monthly incomes of farming families:
– Meghalaya (Rs 29,348) – Punjab (Rs 26,701) – Haryana (Rs 22,841)	– Jharkhand (Rs 4,895) – Odisha (Rs 5,112) – West Bengal (Rs 6,762)

- fragmentation of land holding has ↑ . Average size of a farm reduced from 0.725 hectare (2003) to 0.512 ht (2019) (ज़मीन का भी खंडन हो रहा है. खेत की औसत आकार कम हो रही है.)

40.3 🌽🛒👤🌾 AGRI-SELLING → INCOME SUPPORT FOR FARMERS

- NABARD released All India Rural Financial Inclusion Survey found total ~21 crore rural household. Out of them ~10 crore engaged in agriculture. Farming is not a very profitable enterprise in India because majority of the families struggle to earn even ₹10,000 per month. (खेतीबाड़ी बहुत मुनाफ़े वाला धंधा नहीं जा रहा था भगवान वृद्धि से 10 हजार रुपए कमा पाते हैं)
- 📅 ES2018 noted: Climate change's negative impact with higher temperature and shorter rainfall: income fall will be 15-18% (for irrigated farm), 20-25% (for unirrigated farm). जलवायु परिवर्तन से उत्पादकता को खतरा
- Modi-govt has target of doubling the farmers income (from base year 2015-16) in 2022-23. But for that agricultural sector must grow at 10% annually whereas it's struggling to grow even @5%! Therefore, Govt. intervention is necessary in the form of subsidies, procurement, MSP and minimum income support (PM-KISAN@6k/pa). (इसलिए सब्सिडी, विपणन, न्यूनतम समर्थन मूल्य, न्यूनतम आय समर्थन के रूप में सरकारी हस्तक्षेप जरूरी)

40.4 🌽🛒👤🌾 AGRI-SELLING → MINIMUM SUPPORT PRICES (MSP)

Under the State APMC Acts, the first sale of agriculture commodity can occur at Agricultural Produce Market Committee (APMC) Mandis only. However, a farmer may not get remunerative prices at the Mandi due to following reasons:

1. Bumper production / ↑ supply = market prices ↓ (आपूर्ति बढ़े: दाम गिरे) AND / OR
2. Cartelization / price-fixing by the mandi-merchants.

So, to protect the farmers, Government of India announces MSP (न्यूनतम समर्थन मूल्य) before each crop sowing season. (यदि किसान को मंडी में अच्छी कीमती ना मिले तो सरकार को बेच सकें)

40.4.1 🌽🛒👤🌾 MSP covers which crops?

For 22 crops (MSP) + 1 sugarcane (FRP) = 23 viz.

14 kharif crops	– Kharif: Grown In Summer / Monsoon Season. – Paddy, Jowar, Bajra, Maize, Ragi, Arhar, Moong, Urad, Groundnut-In-Shell, Soyabean, Sunflower, Sesamum (तिल), Nigerseed (रामतिल) And Cotton;
6 rabi crops	– Rabi: grown in winter season. – Wheat, Barley, Gram, Masur(Lentil), Rapeseed/Mustard, Safflower (कुसुम)



3 commercial /cash crops	– Jute, Copra (coconut) and Sugarcane. – For Sugarcane, mechanism is different: It requires the sugar mill companies to pay the minimum Fair and Remunerative Price (FRP) fixed by Govt. (Whereas for other 22, Govt itself procures @MSP)
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** In addition, MSP of Toria (a type of oilseed crop) fixed on basis of rapeseed-mustard and MSP of de-husked coconut (छिलका उतारा गया नारियल) fixed on the basis of the MSP of copra.

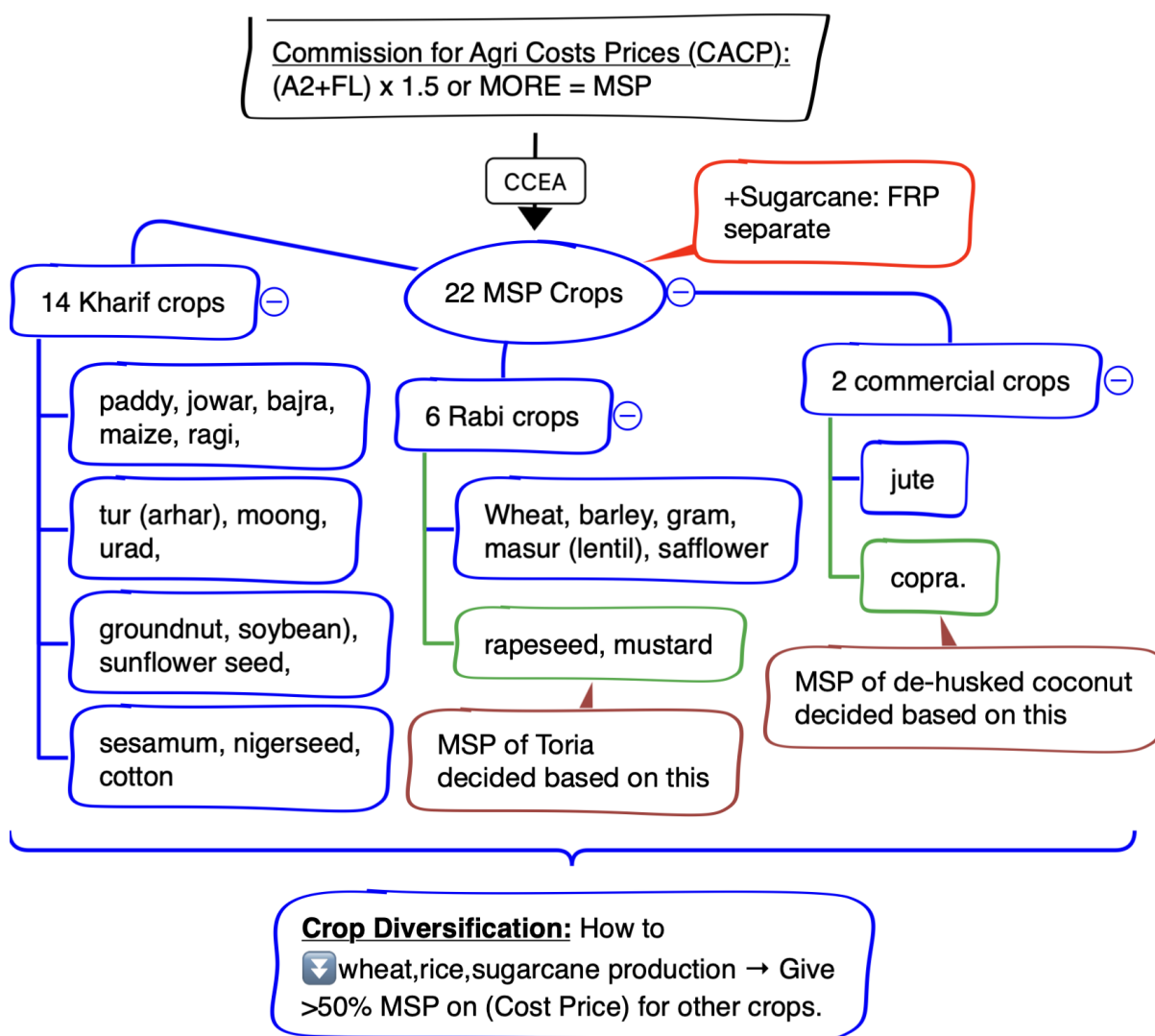
But if asked in MCQ, then the safe number is '22'.

AB CD MCQ. How many of the these statements are correct? (Prelims-2023)

1. The Government of India provides Minimum Support Price for niger (काले तिल) seeds.
2. Niger is cultivated as a Kharif crop. (काले तिल की खेती खरीफ की फसल के रूप में की जाती है।)
3. Some tribal people in India use niger seed oil for cooking.

Codes: (a) Only one (केवल एक) (b) Only two (केवल दो) (c) All three (सभी तीन) (d) None

40.4.2 🌾🛒👤🌾 **MSP computation, Swaminathan Committee?**



Note: Jowar – other name is **Sorghum**.

AB CD MCQ. Which are covered in MSP? (GPSC-25)



1. Sorghum (Jowar) 2. Maize 3. Cotton 4. Sugarcane

Codes: (A) Only 1, 2 and 3 (B) Only 2, 3 and 4 (C) Only 1, 3 and 4 (D) All of the above

Note: Sugarcane is not MSP but FRP. However, as per GPSC official answer key it is "D".

Agro Ministry's Commission for Agricultural Costs and Prices (CACP: कृषि लागत और मूल्य आयोग) recommends MSP (& FRP for sugar) → Cabinet Committee on Economic Affairs (CCEA: आर्थिक मामलों की कैबिनेट समिति) chaired by PM approves & announces MSP.

CACP's computation method is →

A2	Actual costs directly incurred by the farmer on seeds, fertilizers, pesticides, hired labour, depreciation on farm buildings & machinery, interest on working capital, diesel/electricity for tractor/ pump sets etc.
FL	Imputed cost of (unpaid) family labour.
(A2+FL) * 1.5 times MINIMUM.	This will be the official MSP. (from Budget-2018 onwards). So farmer sees 50% profit on this cost of production.

40.4.3 C2 Formula not implemented

The National commission on farmers (2006) headed by Scientist MS Swaminathan had suggested 50% profit but using a different 'C2 formula', BUT

- C2 formula computed lot of costs, including imputed rent on his own land and imputed interest on his own capital etc. (i.e. what if farmer had leased the farmland or gave his savings as loan to someone else, instead of farming by himself, then how much rent / interest would he have earned?) (काल्पनिक रूप से वह कितना कमा लेता उसके भी कुछ आंकड़े जोड़े जाते हैं)
- If govt. used C2 formula, MSP will become very high due to aforementioned (hypothetical) imputed costs → higher budgetary allocation, fiscal deficit will increase. So, Govt is using A2+FL formula only.

40.4.4 MSP decision Factors apart from (A2+FL) x 1.5 formula

Although the cost (A2+FL) is an important determinant of MSP, the MSP pricing policy is NOT rooted in ONLY 'cost plus 50% profit' - Other factors are also considered as well. (उत्पादन की लागत के अलावा अन्य कारको पे भी गौर किया जाता है)

Factor	Notes, if any
Cost of Production (CoP)	CoP = (A2+FL). Ideally, the farmer should get a 50% profit over this cost of production, as learned in the previous section.
Demand and supply	e.g. to address the shortage of pulses, the govt should encourage farmers to grow pulses by offering better MSP on them.
Price trend in the domestic and international markets	e.g. if there is a shortage of Soybean in India, while Soybean oil from Argentina becomes expensive, then India should offer better MSP to farmers to encourage them to grow more soybean.



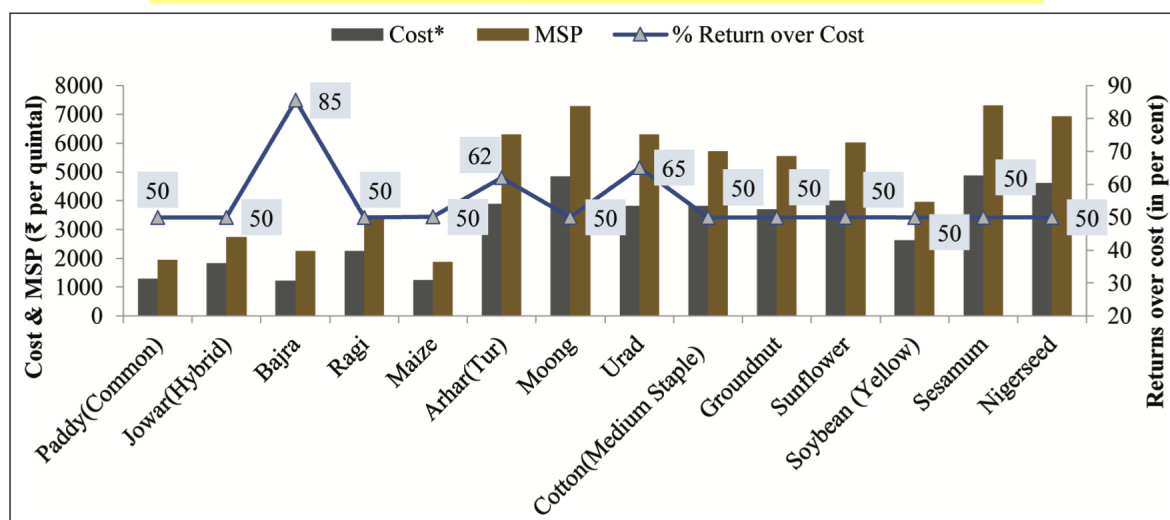
Inter-crop price parity	e.g. to encourage farmers to shift from wheat/rice to millets, the govt should offer better MSP on millets.
Ensuring rational utilization of natural resources like land and water	same as above- rice vs millets
MSP impact on consumers	e.g. MSP should not be so high for rice that all farmers stop growing tomatoes → tomato shortage
Terms of trade between agricultural and non-agricultural sectors (कृषि और गैर कृषि क्षेत्र के बीच व्यापार की शर्तें/स्थिति)	the ratio of agri prices to industrial prices. Basically, the agri price ratio should not become very low or very high compared to mfg/service industries. Otherwise, it may result in people shifting to a single industry → shortage of workers in other industries.

40.4.5 ES22: Crop Diversification: by higher MSP (उच्च न्यूनतम समर्थन मूल्य द्वारा)

Critiques argue that due to MSP policies, farmers are encouraged to grow mostly sugarcane, rice and wheat, which creates 1) water shortage 2) supply-shortage of other crops. (सरकार की न्यूनतम समर्थन मूल्य नीतियों के चलते ज्यादातर किसान गन्ना-गेहूं-चावल लगाना पसंद करते हैं जिससे पानी की बर्बादी, अन्य फसलों की किल्लत होती है।)

- So, to encourage crop diversification, govt is giving MSP @more than 50% of Cost Price for certain crops e.g. mustard (100%), Masur (70+%), barley (60%) (फसल विविधीकरण के लिए सरकार ने कुछ फसलों पर किसान की लागत खर्च के ऊपर 50% से भी अधिक एमएसपी जारी किया है)
- Benefits? - 🥰 1) crop diversification. 2) water & soil conservation 3) improve farmers income. 4) self-sufficiency in pulses and oilseeds → inflation control, food and nutritional security.

Figure 12: Cost, MSP & Returns of Kharif Crops for the year 2021-22.





40.4.6 Crop Diversification: CDP program (2013)

2013: Agri Ministry's Rashtriya Krishi Vikas Yojana (RKVY): Sub-scheme- Crops Diversification Programme (CDP) to →

- ✓ To ↓ rice cultivation in the original green revolution states viz. Punjab, Haryana, Western UP
- ✓ To ↓ tobacco cultivation in Andhra Pradesh, Bihar, Gujarat, Karnataka etc
- ✓ under this scheme, govt helps farmers to shift towards less water requiring crops such as oilseeds, pulses, coarse cereals, , cotton, etc (चावल और तम्बाकू के किसानों को सरकार मदद करती है अन्य फसल लगाने में)

40.4.7 🍌🍎 Crop diversity → 🌹 Floriculture = sunrise industry - 📖ES25:

- ✓ Intercropping = growing two or more crops are grown simultaneously on the same field.
- ✓ If Rice farmers do inter-cropping of flowers along with rice, they can earn more money compared to other sequences, viz. rice- soybean, rice-bell pepper, rice-fodder maize, rice-cowpea and rice-radish or inter-cropping of cereals, pulses, vegetables and oilseeds.
- ✓ it can improve income of income of marginal and small farmers.
- ✓ Export potential to USA, Netherlands, UAE, UK, Canada, and Malaysia
- ✓ Grape cultivation & export can a lot of money for Maharashtra, Karnataka, TN, and Mizoram.

40.4.8 🍌🍎 Crop diversity top performer states- 📖ES25:

- ✓ Top performers (1) Andhra Pradesh diversified towards jowar (2) Madhya Pradesh towards moong (3) Tamil Nadu towards maize. (2011–21)

AB CD ? MCQ. Consider the following:(Asked in UPSC-Pre-2018)

1. Areca nut 2.Barley 3.Coffee 4.Finger millet 5.Groundnut 6.Sesamum 7.Turmeric

The Cabinet Committee on Economic Affairs announces MSP for which of the above?

(a) 1, 2, 3 and 7 only (b) 2, 4, 5 and 6 only (c) 1, 3, 4, 5 and 6 only (d) 1, 2, 3, 4, 5, 6 and 7

AB CD ? MCQ. The FRP of sugarcane is approved by the (UPSC-Pre-2015)

(a) Cabinet Committee on Economic Affairs (b) Commission for Agricultural Costs and Prices.

(c) Directorate of Marketing and Inspection in Ministry of Agriculture.

(d) Agricultural Produce Marketing Committee.

40.4.9 🌸 Agri-Selling → MSP → Cotton purchase by CCI

- 1970: Cotton Corporation of India (CCI) registered under the Companies Act.
- CCI's Boss? CCI is under admin control of Ministry of Textiles,
- CCI's function? Purchase cotton @MSP, whenever market prices fall below MSP.
- CCI buys cotton without any quantitative limits. (जितना किसान बेचे उतना दे धनधान खरीद लेते है।)
- HQ? Belapur, Navi Mumbai (Maharashtra).

40.4.10 🍌🍎🛒👤🌾 Agri-Selling → MSP → FCI Procurement (अधिप्रापण / खरीद)?



CI), June

- **Boss?** Agro Ministry. Central Sector Scheme = 100% paid by Union.

From Food Corporation of India's point of view, the economic cost of food grains is:

- 3) **Procurement Incidentals:** paid to truck drivers, loaders, diesel, cost of operating godowns etc.

AB CD ? Economic cost of food grains to the FCI is MSP and bonus (if any) paid to farmers plus __. (Pre'19)

- (c) Procurement incidentals and distribution costs (d) Procurement incidentals and charges for godowns

40.4.12 🌽🛒👐🧑🌾 = 🍷 MSP Benefits?

- private merchants. It prevents distress-sale of produce at throwaway prices to private merchants.



40.4.13 🌽🛒👤👤 = 🗣️ MSP Limitations? (मर्यादा)

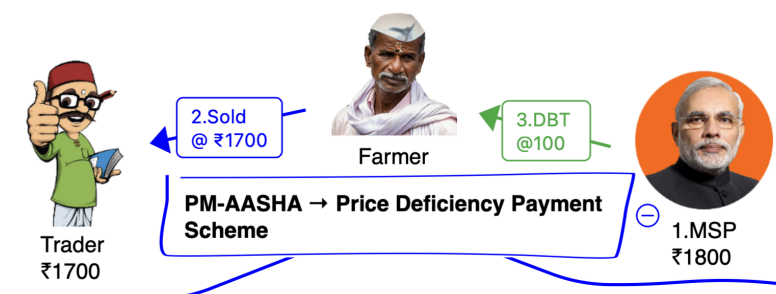
- ✓ FCI/NAFED procurement (अधिप्रापण) is usually confined to big towns and district centres. Farmers in remote & tribal area unable to bring their produce to the procurement agencies due to high cost of transportation. 1997: Govt launched Decentralized Procurement (DCP: विकेंद्रीकृत अधिप्रापण योजना) wherein State Govt themselves procure wheat and rice from farmers, & Union will bear the costs. But not much success in increasing the penetration yet.
- ✓ Procurement is usually confined to rice and wheat (cereal grains). Not usually done for pulses, oilseeds and other crops. So, aforementioned benefits of MSP remain 'only on paper', they are not implemented in reality. So farmers are demanding MSP as 'legal right' (वास्तविकता में नहीं होती। सिर्फ एक कागजी दिखावा/क्रिया है. इसलिए किसान इसे 'कानूनी-अधिकार' बनाने की माँग कर रहे हैं.)
- ✓ MSP not even announced for vegetables and fruits. (फल सब्जियों का नहीं होता)

AB CD ? (UPSC-Prelims-2020) Consider the following statements

- 1) In the case of all cereals, pulses and oil-seeds, the procurement at Minimum Support Price (MSP) is unlimited in any State/UT of India.
- 2) In the case of cereals and pulses, the MSP is fixed in any State/UT at a level to which the market price will never rise.

Codes: [a] 1 only [b] 2 only [c] Both 1 and 2 [d] Neither 1 nor 2

40.5 🌽🛒👤👤 : 🧑 AGRI-SELLING: PM-AASHA: FIX MSP LIMITATIONS



Pradhan Mantri Annadata Aay Sanrakshan Abhiyan.

Boss? Agro Ministry (2018-Sept). Central Sector Scheme = 100% funded by Union.

The scheme has three components:

1. **Price Support Scheme (PSS: मूल्य समर्थन योजना):** whenever market prices fall below MSP → Central agencies buy @MSP. But this was done mainly for wheat rice. Henceforth they'll will also do physical procurement of pulses, oilseeds and Copra. (दलहन, तिलहन और कोपरा)
2. **Price Deficiency Payment Scheme (PDPS: मूल्य में कमी भुगतान योजना):** If Farmers sells oilseed crops to private merchants in APMC-mandis who are paying them less than MSP price, then govt will directly transfer the difference money in farmer's bank account.
3. **Private Procurement Stockist Scheme (PPSS: गैर-सरकारी प्राप्ति थोक-व्यापारी योजना):** Private agencies will be hired for procuring the commodities at MSP on behalf of Govt.



sarkaar buying

PM-Aasha = 1+2+3+4

MSP: we'll buy @this price

(1) Price Support Scheme (PSS)
if market price ↓↓ than MSP by x%, we'll start buying.

(2) Market Intervention Scheme (MIS)
we'll buy fruits/veggies (=non-MSP) perishable items from farmer

(3) Price Deficit Payment Scheme (PDPS)
We'll NOT buy from farmer. Farmer sells to pvt trader, we'll compensate farmer to loss adjusted with MSP.

sarkaar selling

MDM / PM-POSHAN
free meal to school kids

NFSA / PM Garib Kalyan Anna
free 5kg grains to poor

PDS (grains, sugar, oil etc)
we'll sell cheap to poor

OMSS (grains)
we'll sell in open market to help middle class

(4) Price Stabilisation Fund (PSF) :

if shortage/heavy-inflation in potato/onion/pulses etc. then we'll give interest-free loans to FCI/NAFED/States etc to buy from farmers in India/Egypt/Turkey etc & sell it at CHEAP price to Indians.

40.5.1 PM-AASHA 2024 Reforms: PSS, PSF, MIS became part of it

BEFORE	After 2024-Sept Reform
PM Aasha ke components e.g. Price Deficit Payment Scheme (PDPS)	they're continued
Other separate schemes 1. Price Support Scheme (PSS) 2. Price Stabilisation Fund (PSF) 3. Market Intervention Scheme (MIS)	continued but now, they are sub-schemes under the 'umbrella' of PM-Aasha scheme. अब ये सब योजनाएँ, पीएम-आशा योजना की छतरी के नीचे 'उप-योजनाएँ' बन गई हैं।

40.6 FCI & PDS (बफर भंडार)

1964-65: Food Corporation of India (FCI, HQ-Delhi), a statutory corporation, setup under Consumer Affairs Ministry (भारतीय खाद्य निगम, उपभोक्ता कार्य मंत्रालय का वैधानिक निगम)

- 1) Procurement of foodgrains from farmers at Minimum Support Prices (प्रापण करना)
- 2) Distribution of foodgrains to consumers through Public Distribution System (PDS, सार्वजनिक वितरण प्रणाली द्वारा गरीबों में खाद्यान्नों का वितरण)
- 3) Maintenance of buffer stock for food related schemes and to meet emergency situations like unexpected crop failure, natural disasters, festivals, etc. (खाद्य सुरक्षा और कीमत स्थिरता के लिए खाद्यान्नों के बफर स्टॉक का भंडारण करना)

More points / analysis of food subsidy/PDS = shifted to mains. #Prelims-RAFTAAR.



40.7 🌽👤🌾🚂👤: AGRI-SELLING: STORAGE TRANSPORT (2020 INITIATIVES)

 Kisan Rail	- Indian Railways with refrigerated coaches in trains. ट्रेनों में प्रशीतित डिब्बे. 🚂 = improve national cold supply chain for perishables, milk, meat and fish. (नाशपाती कृषि उपज, दूध, मांस और मछली।) - 🧑🏫 Challenge? Railway Ministry complained funding shortage for this project.
 Krishi Udaan	Ministry of Civil Aviation (नागरिक उड्डयन मंत्रालय) will permit new flights on international and national routes to transport agricultural cargo. 👤 = farmers of North-East and tribal districts to sell their exotic fruits/flowers at premium prices. (अनोखे/जंगली फल-फूलो को ऊँची कीमत)

- We'll encourage the Warehousing Development and Regulatory Authority (WDRA), Food Corporation of India (FCI) and Central Warehousing Corporation (CWC) to build more warehouses. [All these are bodies under Consumer Affairs Ministry]

40.8 💰👤🌾👤: AGRI-SELLING: DIRECT INCOME W/O SELLING → PM-KISAN@6K/PA

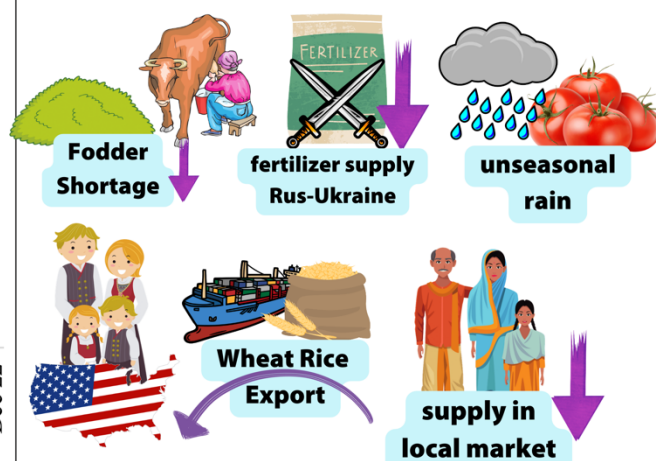
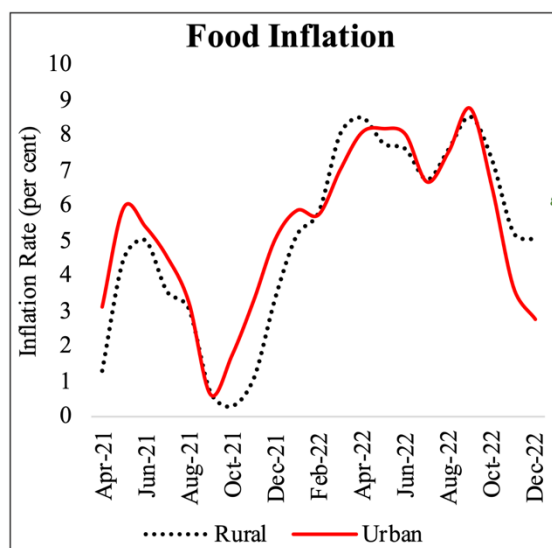


Pradhan Mantri Kisan Samman Nidhi - Income Support Scheme

- **Boss?** Agro Ministry. Central Sector Scheme = 100% paid by Union.
- **Beneficiary? 2018:** A small / marginal farmer family comprising of husband, wife and minor children -who collectively own cultivable land upto 2 hectare as per the land records of the concerned State/UT. (2 hectare = ~5 acres).
- However, 2019-May: After General Election, Modi 2.0 Govt remove the land holding ceilings. Now scheme available for all farmers, irrespective of farm size. (सभी छोटे बड़े किसानों को लाभ दिया जाएगा भले उनके पास कितने ही एकड़ की जमीन हो)
- **Entitlement?** Direct Benefit Transfer (DBT) of ₹ 6000 per year in three equal installments (₹ 2000 x 3) in the beneficiary's bank account. Thus, eliminating middlemen and corruption.
- more than 11 crore farmers are given payments - said 🗉ES23.
- **Criticism/Challenges/Reforms = Shifted to Mains.** #Prelims-RAFAAR.

40.8.1 🌾👤 → 👤👤💰👤: Pension: PM Kisan Maan Dhan Yojana

Ref: Pill1D- Pension Schemes for more details. Basically farmer contributes 55-200 per month. → pension of ₹3000 upon crossing age of 60. Then on death his/her husband/wife to get 1500 pension.



40.9 🍅📈🍌 AGRI-SELLING: FOOD INFLATION FOR CONSUMERS

(Intro-Origin) With green revolution, we became self-reliant in cereal production. But perishable fruits and vegetables have remained our Achilles' heel. Seasonal spikes in onion, tomatoes & pulses is a recurring nightmare for middle class families of India. The underlying causes as following:

- Demand Side:** Growth of middle class & their disposable incomes → ↑ demand of fruits/veggies than before.
- Supply Side:** shortage of commodities on account of 1) poor monsoon & pests 2) post-harvest losses due to unavailability of cold-storage & warehousing 3) hoarding (संग्रहखोरी/काला-बाजारी).

40.9.1 Food inflation Reasons and Remedies in 2022–24 by 📖 ES

ITEM	REASON FOR INFLATION
MILK	1) fodder shortage due to untimely rains 2) ↑ diesel price → transport cost for both milk and fodder
TOMATOES	unseasonal heavy rains in the Karnataka, Tamil Nadu, Andhra Pradesh, and Telangana affecting supply in April-Sept.
WHEAT RICE	excessive EXPORTs during Ukraine war = ↓ supply for local customers.

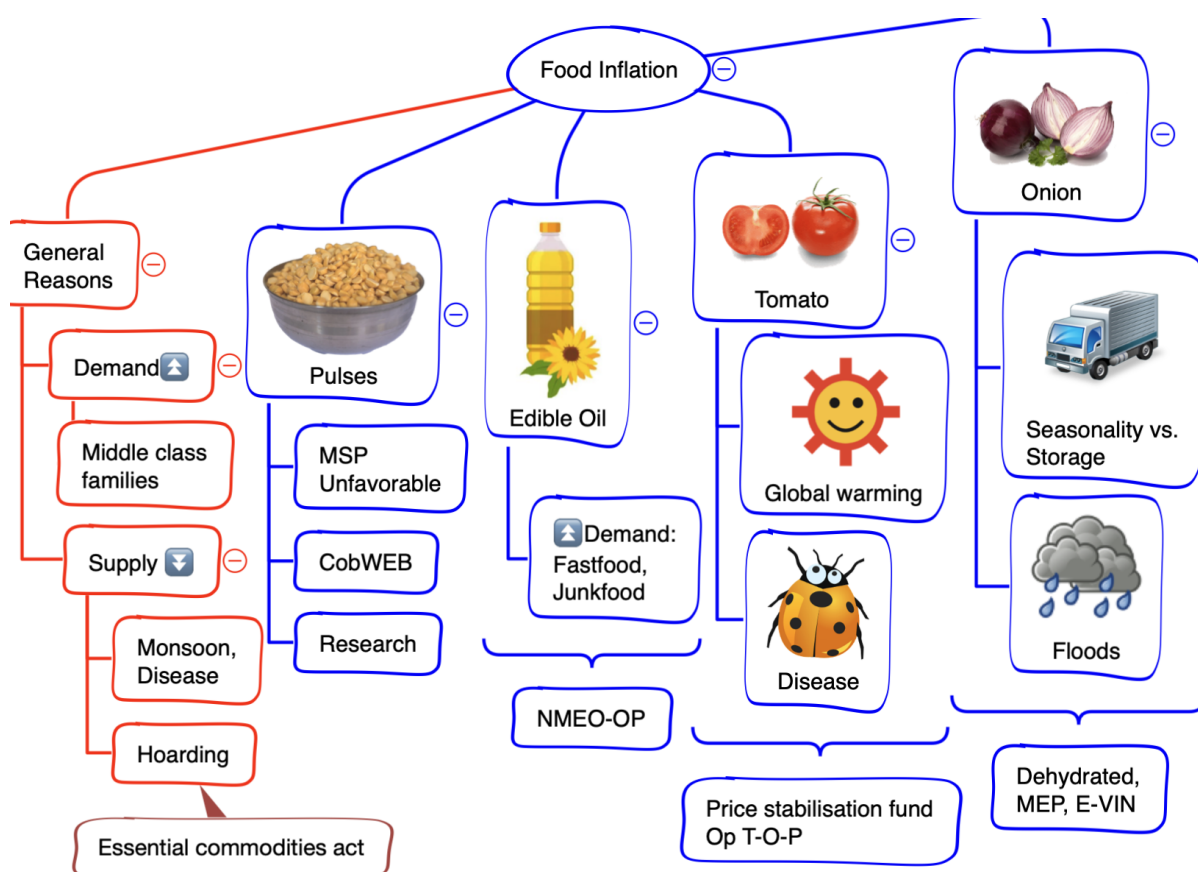
40.9.2 Food Inflation- Govt's Reforms

ITEM	खाद्य महंगाई को कम करने के लिए सरकार द्वारा उठाए गए कदम
Milk	100 fodder-centric Farmer Producer Organisations (FPOs) to be setup
Wheat (गेहूं निर्यात पर प्रतिबंध)	Banned export of wheat flour, maida, samolina (rava/sirgi) → to ↑ supply in local market.
Rice (चावल निर्यात पर करों में बढ़ोतरी)	Increased customs duty on exported rice to 20% , later banned the exports to ↑ supply in local market. (2024-ban removed)
Pulses (दालों के आयात पर करों में छूट)	↓ customs duty and AIDC cess on imported pulses. AIDC = Agriculture



	Infrastructure and Development Cess (Ref: Pillar#2B-Customs Duty)
Edible Oils (खाद्य तेल)	1) ↓ customs duty and AIDC cess on imported edible oil such as palm oil, soyabean oil and sunflower oil 2) imposed stock limits 3) ordered edible oil companies to reduce prices by 15 Rs. per litre using powers of essential commodities Act (आवश्यक वस्तु अधिनियम)
Soya Meal (for Poultry & Fish feed) (मुर्गी और मछली का चारा: सोया-मील)	(1) Declared Essential Commodity & imposed stock limits to combat unfair practices like hoarding, black marketing etc. (कालाबाजारी रोकने के लिए स्टॉक सीमाएं तय की) (2) From 2021- allowed import of genetically modified (GM) soymeal for poultry-fish industries.
Chana	Union Govt supplies it to State at subsidised price

Now lets looks at some more points/issues:



40.9.3 🍅🥕🥔 Food Inflation due to shortage of Pulses supply (दालों का उत्पादन)

1. Finest irrigated land used for cereal and cash crops like sugarcane because of better MSP. So pulses' area under cultivation is declining. Govt shd reform MSP for pulses cultivation, especially in drought prone areas because pulses require less water than sugarcane. (दाल की फसल में गन्ने से कम पानी इस्तेमाल होता है, इसलिए सूखा प्रभावित विस्तारों में उसे प्रोत्साहित किया जाए)



2. Pulses make the soil nitrogen rich, it encourages weed growth- which ↓ the pulses yield. Pulses are themselves protein rich, so they're more susceptible to (1) pests attack and (2) When stored in open godowns, humid conditions = fungal growth. 25% of the produce is lost by this.

Solution? New seed varieties required but Indian scientists are focused on 'cereals' rather than 'pulses'. (भारत के कृषि वैज्ञानिकों का ध्यान दालों पर संशोधन की जगह खाद्यान्न अनाज पर संशोधन में ज्यादा होता है)

40.9.4 Cobweb Cycle (मकड़ी का जाला)

- ⇒ if a farmer observes a high price for a specific crop for a year, he would opt to produce more of it the next year. But if all farmers think with this mindset → excessive production & supply → prices ↓ → then they stop cultivating it in the next cycle → shortage in supply → price ↑.
- ⇒ Faulty producer expectations → cyclical fluctuation in supply & prices. (किसान की दोषपूर्ण अपेक्षाएँ → उत्पादन और कीमतों में चक्रीय उतार-चढ़ाव)
- ⇒ This is called 'Cobweb' Cycle. Term given by economist Nicholas Kaldor (1934)
- ⇒  ES20 blamed this phenomenon for price fluctuations in pulses.

40.9.5 Food Inflation → Vegetable supply

1. Global Warming: April-May heat waves destroy nascent flowers / buds of vegetable plants. (वैश्विक ताप में वृद्धि के चलते नवजात फूल / कलियों का मुरजाना)
2. **Pests & Diseases (कीट और रोग):** Maharashtra and Southern Indian farmers have been growing tomatoes & onions since last 3 decades. But, overuse of general pesticides → whiteflies, red mites, gram pod borers and other pests have gained immunity. → crop-loss has increased. Farmers had started using Switzerland company's seeds but later they were found to be vulnerable to certain viral diseases.
3. UPA-Congress Govt (2004-14) had rapidly hiked **MSP** for wheat & rice so many farmers shifted from veggies / pulses to cereal production. (गेहूँ चावल में ज्यादा समर्थन मूल्य के चलते किसान दाल- सब्जियों की खेती कम करते हैं)
4. **After demonetization** (2016), cash based retail vegetable industry suffered → lower prices to farmers in the last season. So they shifted away from vegetables towards sugarcane, maize, soya etc. cash & cereal crops → veggies production ↓ .
5. Price wedge = large difference between the wholesale and retail prices. It's due to high transaction costs, poor marketing infra, **huge margins by middleman** etc
6. **Heavy rains, Unseasonal rains**, floods and cyclones disrupt the supply chains. e.g. 2021-Sept: unseasonal rains in Punjab, Haryana, HP → Tomato crop damaged → inflation.
7. Farmer strike in Maharashtra, UP & MP, wherein they destroyed truckload of tomatoes, milk, potatoes etc. (किसानों द्वारा हड़ताल और प्रदर्शन खुद अपना अनाज /सब्जियाँ सड़क पर फेंक देते हैं)



8. Shortage of **cold storage infrastructure** (शीतागार). Big traders utilize them for hoarding onions and potatoes, → less space for other vegetables, even during bumper crops. 70% of Tomatoes grown in Rabi Season- so in remaining months there will be shortage, if they're not stored.
9. Onion inflation – explained in separate section below.
10. 🤔🤔 2020- Corona lockdown/supply-chain constrains= price rise in initial months, but later on with unlockdown, prices moderated by 2020-December (तालाबंदी में आपूर्ति श्रृंखला प्रबंधन में चुनौतियां जिसके चलते 2020 शुरुआती महीनों में खाद्य महंगाई बढ़ी हालांकि बाद के महीनों में वापस कम हुई)
11. 2021- Soybean shortage → feed prices ↑ → so fish & chicken prices ↑ (सोयाबीन चारा हुआ महंगा → मूर्गीपालन और मछलीपालन करने वालों ने अपने दाम महँगे कीए)

40.9.6 🍅📈🥰 Seasonality in Onion-Tomatoes

📖📖 ES22 observed	Onion	Tomato
70% grown during	Rabi season	Rabi season
Transplantation (फ़सल बोना)	December-January	October-February
Harvest (फ़सल काटना)	By May	By June
Affected by weather/climate in	Maharashtra, Karnataka	Punjab, UP, HP, Haryana, South India

Thus, if drought / cyclone / excess rain / pest attack in above months → huge shortage & inflation.

40.9.7 🍅📈🥰: Food INFLATION → Onions

40.9.8 Onion Shortage caused by (प्याज की कमी)

- ⇒ Late-arrival of monsoon: sowing (बीजारोपण) period delayed.
- ⇒ Prolonged rains damaged the standing crop in the Major producers viz. Karnataka, Telangana, Madhya Pradesh and Maharashtra (largest producer: Its Lasalgaon town in Nasik district is India's largest onion market).
- ⇒ 2019-Sept-Oct: Heavy rains affected cutting and transportation of the crop.
- ⇒ So, [Supply < Demand] = Onion prices increased to ₹140/kg in late-2019.

40.9.9 🍅📈🥰: 🤖 Govt reforms → Onion Inflation

- ✓ Commerce Ministry → DG Foreign Trade → temporarily **banned the export** of Onions since 2019-Sept. (Although **Andhra's Krishnapuram onions** were allowed for exports. They are extremely pungent in taste (स्वाद में तीखा), liked by Srilankan and ASEAN families. But, Indian families don't like its taste much.)
- ✓ Commerce Ministry's **MMTC Ltd company** will import onions from Turkey & Egypt using the ₹ from **Price Stabilisation Fund** (It's a fund under Consumer Affairs Ministry) → onions will be supplied to State Govt's Food and Civil Supply Departments → sold at reasonable prices.
- ✓ Government also directed the States to build buffer stocks, impose stock limits on traders and take action against hoarding. (स्टॉक सीमा लागू करें)



- ✓ **Long term solutions?** Help the farmers cooperatives to directly sell to customers, strict action on hoarding, develop more cold storage warehouses etc.

40.9.10 🍅📈🤖: 📅 ES21 how to control onion inflation?

Onion prices skyrocket in August-November every year. Following reforms need to be taken:

- ⇒ NAFED procures and stores onion mostly in three states- Maharashtra, Madhya Pradesh and Gujarat = more risk of adverse weather shocks / heavy rains / floods → transport bottlenecks. Need to decentralise it with modern storage facilities at multiple states. (सिर्फ तीन राज्यों में प्याज का भंडारण करने की जगह, विकेंद्रीकृत रूप से अनेक राज्यों में उन्हें भंडारित किया जाए,)
- ⇒ Health Ministry's eVIN (electronic vaccine intelligence network) =used for monitoring the Vaccine supply. Similarly, onion supply online-monitoring systems need to be developed. (ऑनलाइन तरीके से जिस प्रकार से वैक्सीन की निगरानी रखी जाती है, ऐसा ही प्याज के साथ करें)
- ⇒ Use of dehydrated onions that has longer shelf life should be promoted for buffer stock purposes. Hydrated variety should be sold early. (सुखाए गए प्याज लंबी अवधि तक बिगड़ते नहीं इसलिए उनका भंडारण किया जाए जबकि ताजा / ना सुखाए गए प्याज प्याज थोड़े पहले बेच दिया जाए)

40.9.11 🍅📈 ES25 observations

- Global food inflation is on a downward trend. But problems faced by Brazil, India, and China
- Factors? (1) supply chain disruptions(2) extreme weather events / climate change Unseasonal rainfall and heat waves (3) vegetable and pulses.
- India's supply of tomatoes and onions is more than its demand, but the problem is of storage/seasonality of supply, therefore, we face inflation.

40.9.12 🌾 Food-inflation: rice-wheat → Need for De-hyphenating (2025)

De-hyphenating means treating two matters separately, instead of jointly. E.g. previously, US presidents tried to balance relations with both Pakistan and India- treating them together. Now, USA cares less for Pakistan, and grows closer to India - due to economic and strategic reasons. Similarly

Before	After De-hyphenating (दोनों को अलग-अलग देखा जाए)
Agri-economists believed that over cultivation of both rice and wheat causing problem for India's groundwater, soil, fertiliser overuse etc.	We are facing surplus of rice, but shortage of wheat, so we should not treat wheat as a bad crop. We should focus on growing more wheat.

40.9.13 🌾 Food-inflation: Wheat shortage (2025)

- Wheat → refined flour or maida used in cakes, bakery items, fast food, processed food. With ↑↑ urban lifestyle → ↑↑ wheat demand both in North & South India (compared to rice)
- Wheat requires moderate temp (21–24°C) But, Global warming / heat waves harming it.
- 2022: Over export of wheat after Ukraine war → Wheat shortage in India.
- 2024-Dec: Retail price of Atta (wheat-flour) = Rs 40/kg. This is highest since 2009, due to supply demand mismatch.



40.10 🍅📈👨‍🌾: AGRI-SELLING: FOOD-INFLATION: GOVT INITIATIVES?

40.10.1 🍅📈👨‍🌾: Food Inflation → Govt initiatives → MEP (also called Floor price)

⇒ **Minimum Export Price (MEP: न्यूनतम निर्यात मूल्य) / Floor price= It is the price below which of commodity cannot be exported from India. During inflation in a particular agro commodity, commerce ministry will ↑ increase MEP to discourage its export from India → ↑ increased supply in the local market → price ↓ down

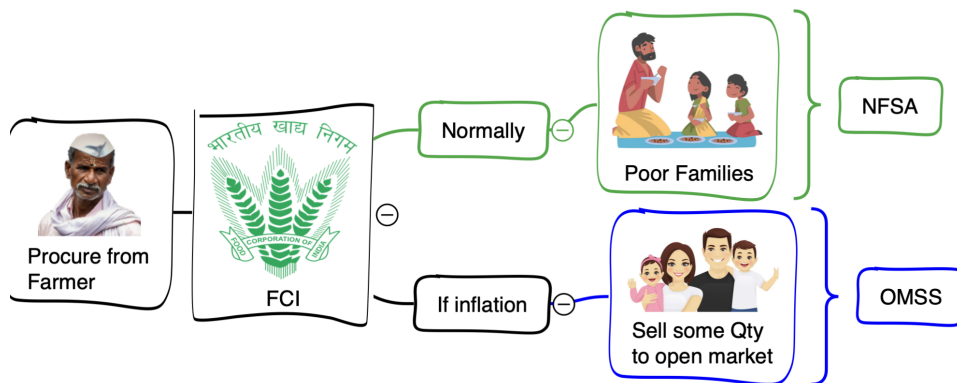
⇒ 🤔 **Limitation?** Frequent changes in MEP = uncertainty for exporter-oriented farmers for the next cropping season.

Sidenote: Minimum Import Price (MIP): it's the price below which a commodity can't be imported. This is usually done for protecting domestic industries against cheap imports. E.g. Government imposed MIP on pepper and areca-nut in 2018-19 (इससे कम मूल्य पर आयात नहीं कर सकते)

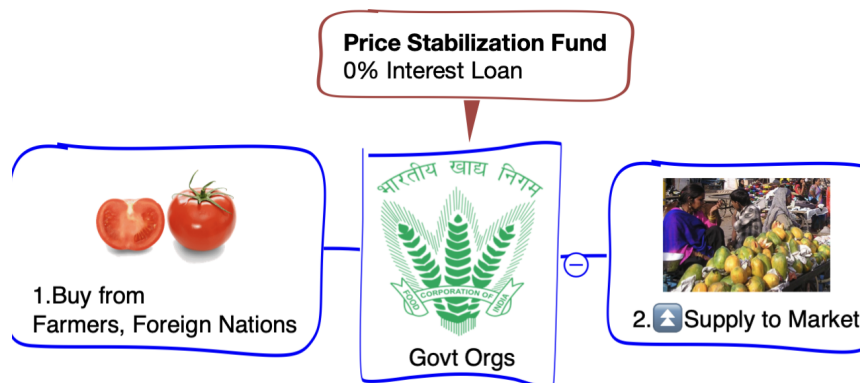
40.10.2 🍅📈👨‍🌾: Food Inflation → Govt initiatives → OMSS

⇒ **1964-65:** A statutory corporation Food Corporation of India (FCI: भारतीय खाद्य निगम) was set up under Ministry of Consumer Affairs, Food and Public Distribution (उपभोक्ता मामले, खाद्य और सार्वजनिक वितरण). By default, FCI procures cereals/foodgrains @MSP & sells them to poor-families via the Public Distribution System (PDS:सार्वजनिक वितरण प्रणाली) outlets.

⇒ However, during food inflation, FCI would also sell the grains in open market to ↑ supply, ↓ price rise. It's called **Open Market Sale Scheme** [खुला बाजार बिक्री स्कीम].



40.10.3 🍅📈👨‍🌾: Govt initiatives → Price Stabilization Fund (2014)



- मूल्य स्थिरीकरण कोष is a Central Sector Scheme = 100% funded by Union.



- **Boss?** Consumer Affairs Ministry gives Interest free loans to FCI, NAFED & other central/state agencies to procure pulses and perishable vegetables from local and foreign farmers and sell it to *aam-aadmi* at reasonable prices. (सरकारी संस्थानों को ब्याज मुक्त कर्ज दिया जाएगा जिससे वे दाल और सब्जियां खरीद के वाजिब दामों पर बेचे)

40.10.4 🍅📈👨‍🌾: 🇮🇳 Govt initiatives → Operation Greens for T-O-P (2018)

REFER To PM Kisan Sampada Yojana under the topoic “Agriculture Production & Processing → Other Schemes”

40.11 🌴🥥📈👨‍🌾: 🇮🇳 FOOD INFLATION → EDIBLE OIL (खाद्य तेल)



Due to faulty MSP policies Edible oilseeds' production in India is inadequate to meet consumer demand. And it is becoming expensive for India to import edible oil because [आयात महंगा हो रहा है क्योंकि]

- ⇒ High demand of oil due to fastfood, junkfood (wafers etc) habits of young generation.
- ⇒ 🌧️ La Niña climatic conditions affecting crop production in Argentina, Brazil for Soyabean Oil
- ⇒ Malaysia and Indonesia's Palm oil purchased in large quantity by China =less qty for India.
- ⇒ 🚛 edible oils used generating biofuels by USA/Brazil= less qty for India. [जैव ईंधन में इस्तेमाल]
- ⇒ 😓 Corona → supply chain constraints and labour issues in lock down.
- ⇒ 2021: Indian govt ↓ customs duty on imported palm oil to reduce prices in India and imposed stock limits under Essential commodities act. आयात होने वाले पाम ऑयल पर सरकार ने सीमा शुल्क कम किया ताकि भारत में खाद्य तेलों की महँगाई दर में कमी आ सके। आवश्यक वस्तु अधिनियम क़ानून के अंतर्गत स्टॉक लिमिट तय की।
- ⇒ Critics argue reducing taxes on imported edible oils, is not going to help fighting inflation, because of high demand by customers and profiteering by sellers. किंतु आलोचकों का मानना है कि व्यापारियों की मुनाफ़ाखोरी तथा ग्राहकों की बढ़ती माँग के चलते खाद्य तेलों में महँगाई को क़ाबू में नहीं हो सकती।

40.11.1 🌴🥥📈👨‍🌾: 🇮🇳 Govt initiatives → Edible oil New Scheme (NMEO-OP: 2021)

- ⇒ **Boss?** Agriculture Ministry launched National Mission on Edible Oils – Oil Palm (NMEO-OP) to make India self-reliant on edible oil production. [खाद्य तेल उत्पादन में भारत को स्वनिर्भर बनाने के लिए]
- ⇒ Centrally Sponsored Scheme = States also required to contribute money.[केंद्र द्वारा प्रायोजित योजना.]
- ⇒ With a special focus on the North east region and the Andaman and Nicobar Islands[खास ज़ोर]

40.11.1.1 🌴🥥📈👨‍🌾 NMEO-OP Scheme Component-1: (DBT)

- ⇒ The oil palm farmers produce Fresh Fruit Bunches (FFBs) from which crude palm oil (CPO) is extracted by the industry. Govt of India will give a price assurance to the oil palm farmers for the FFBs. This will be known as the **Viability Price (VP)**.
- ⇒ Basically, Farmer will sell the fruits to oil-miller. and if farmer is receiving less money than the Govt-formula-walla **Viability Price (VP)** then government will pay **Viability Gap (₹)** to farmer's



bank account= **Direct benefit transfer (DBT)**. [सरकार द्वारा तय क्रीमतों से यदि कम पैसा किसानों को फ़सल बेचने पर मिल रहा है तो सरकार किसान के बैंक खाते में पैसा जमा करेगी]

🏠🎓👉 what is the exact formula for CPO adjusted with WPI to VP??? = NOT IMPORANT.
Don't waste time in such things it'll give very poor cost benefit scheme doesn't have a fancy name.

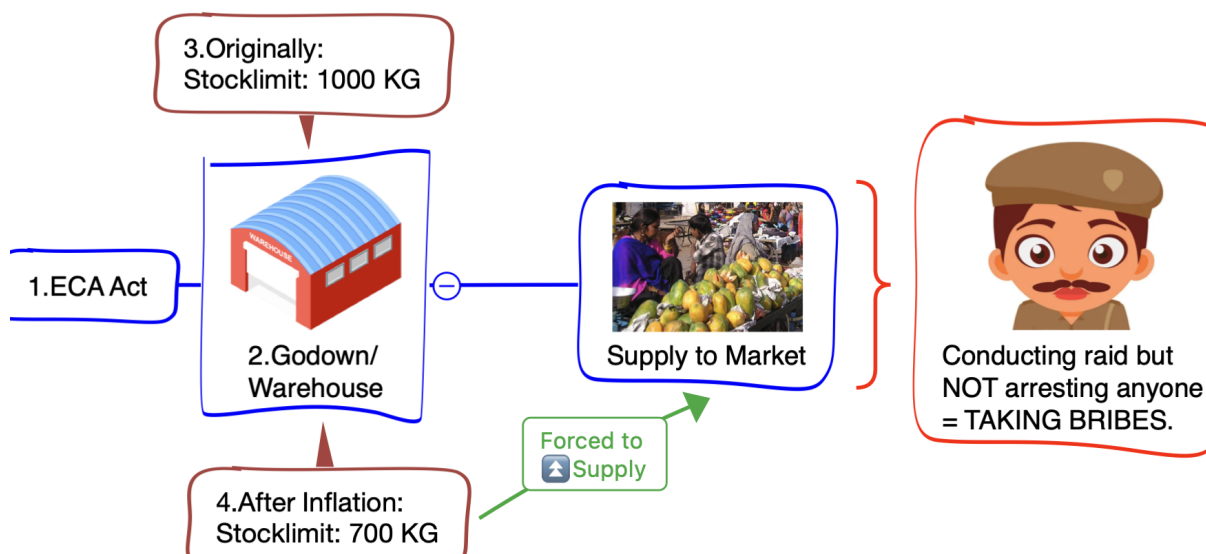
40.11.1.2 🌱👉 NMEO-OP Scheme Component-2: (TRAINING)

Farmer will be given subsidy/support for input/seed/training for New cropping techniques e.g. half moon terrace cultivation, bio fencing (**Biofencing**= planting lines of trees / shrubs that provide protection against cattle, wildlife, winds) [खेतीबाड़ी के लिए अच्छी गुणवत्ता के बीज, सब्सिडी और तालीम]

👑 **Conclusion:** Presently India imports 98% of its palm oil requirement. Above scheme will greatly help reducing our import bill, current account deficit, while creating income and employment opportunities for farmers and youth. [सरकार का यह क़दम खाद्य तेल के आयात को कम करने में, किसानों और नौजवानों के लिए रोज़गार के अवसर बढ़ाने में मदद करेगा]

40.11.2 🌱 Atmanirbhar Oil Seeds Abhiyan (2024)

- Target: mustard, groundnut, sesame, soybean, sunflower
- Develop high-yielding varieties, modern farming techniques, market linkages, procurement, value addition, crop insurance.



40.12 🍎📈👉 FOOD INFLATION → ESSENTIAL COMMODITIES ACT

- ⇒ Essential Commodities Act 1955 (ECA: आवश्यक वस्तु अधिनियम) aims to control the production, supply and distribution of certain goods considered as essential commodities e.g. foodgrain, pulses, edible oil, sugar, jute, fertilizers & seed, cattle-fodder, medicines, petrol, diesel, kerosene, etc. During inflation/shortage: govt can impose stock limits, restrict movement of goods.
- ⇒ This was causing some hardship to food processing companies. So Government enacted Essential Commodities (Amendment) Ordinance/Act, 2020 to help companies. But then repealed this amendment after farmer protests. (स्टॉक सीमा में खाद्य प्रसंस्करण कंपनियां परेशान होती थी. सरकार ने उनकी मदद के लिए कानून में सुधार किया, लेकिन किसान आंदोलन के बाद सुधार वापस लिया.)



⇒ More analysis = shifted to Mains Handout. #Prelims-RAFTAAR.

AB CD ? MCQ. Why India experienced high food inflation in the recent past? (UPSC-Pre-2011)

1. Due to a gradual switchover to the cultivation of commercial crops, the area under the cultivation of food grains has steadily decreased in the last five years by about 30%.
2. As a consequence of increasing incomes, consumption patterns of the people have undergone a significant change.
3. The food supply chain has structural constraints.

Answer Codes: (a) 1 and 2 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2, and 3

AB CD ? Which were affecting price of rice in India in the recent past? (UPSC-Prelims-2020)

- 1) MSP 2) Government's trading 3) Government's stockpiling 4) Consumer subsidies

Codes: (a) 1, 2 and 4 only (b) 1, 3 and 4 only (c) 2 and 3 only (d) 1, 2, 3 and 4

40.13 🍅📱👨🍳 AGRO-SELLING → DEFLATION (2017 ONWARDS)

While agri. Inflation was a recurring nightmare during UPA-Congress raj (2004-14), the Modi-raj has resulted in food-deflation (fall in the prices) for 3 reasons: (अपस्थिति / दामों में गिरावट)

1. Demonetization, limits on cash transactions and fear of being tracked by IT/GST authorities → Traders are less inclined to hoarding → more supply available at market.
2. Protectionism by US/EU & fall of International commodity prices → India's agro exports are down → More supply available in domestic market.
3. RBI's hawkish policy helped curbing inflation. (More in 📄 Pillar#1A2)

40.13.1 🍅📱👨🍳 Agro-Selling → Deflation → Sugar mills' problem



- **Fair and Remunerative Price (FRP)** is the minimum price decided by union govt at which sugarcane is to be purchased by sugar mills from farmers. (केंद्र सरकार द्वारा निर्धारित एफ़आरपी वो न्यूनतम दाम है जिस पर चीनी मिलमालिक ने किसान से गन्ना खरीदना होगा)
- Some State govts may **announce State Advised Price (SAP)** at levels higher than FRP.
- **Cane Reservation Area:** sugar mills must buy sugarcane from farmers within a specified radius. This is to protect the sugarcane farmer from cheap sugarcane import from States. ("गन्ना आरक्षित विस्तार" यानी चीनी मिल मालिक ने अपनी फेक्टरी के इर्द-गिर्द के एक निर्धारित विस्तार के किसानों से ही गन्ना खरीदना होगा।)
- In recent Years, Bumper production of sugarcane in India and Brazil → ↑ supply → ↓ global sugar prices → but to keep Indian farmers happy Govt did not reduce FRP. Infact, FRP has doubled in 10 years. (उत्पादन में बढ़ोतरी को विश्व बाज़ार में शक्कर के दाम गिर गए लेकिन किसानों को खुश करने के लिए पिछले 10 सालों में भारत सरकार गन्ने के समर्थन मूल्य को दुगना किया)



- Mill-owners' arrears to farmers (i.e. previous payment not cleared yet.) (सरकार द्वारा निर्धारित दामों पर चीनी/शक्कर मिलमालिकों ने किसानों से गन्ना खरीदा होता है लेकिन हाल के वर्षों में बाज़ार में चीनी सस्ती हो गयी लेकिन किसानों को खुश रखने के लिए सरकार गन्ने के दाम बढ़ाती रही, इसलिए चीनी/शक्कर मिल-मालिक किसानों का बकाया पैसा चुका नहि पा रहे)

Then govt doing following to help the sugar mill owners, in following ways:

- Soft loan / cheap loans to sugar mill owners in the arrears to farmers.
- Finance Ministry imposed **100% customs duty** on imported sugar & 0% custom duty on export of sugar to help Indian sugar mills. (आयातित चीनी पर 100% सीमा शुल्क, निर्यात चीनी पर 0% सीमा शुल्क)
- **Subsidy** to sugar exporters

40.13.2 🍷📱📊 Agro-Selling → Deflation → Sugar Subsidy & WTO order

2019: Australia, Brazil and Guatemala complained to WTO that

- Indian Govt's subsidies/soft-loans/tariff barriers to sugar sector led to excess supply & "reduced" global prices so their local industry is hurt. (भारत द्वारा गन्ना-चीनी उद्योग को सब्सिडी और करधान द्वारा प्रोत्साहन से विश्व बाज़ार में चीनी के दाम गिर गए हैं और ब्राज़ील, ऑस्ट्रेलिया, ग्वाटेमाला के चीनी उद्योग को नुकसान हुआ है ऐसी शिकायत)
- While WTO's Agreement on agriculture (AoA)'s "Peace-Clause" allows Indian govt to give food-subsidies (More in 📄 Pillar#3B: WTO) but such exemption is meant for 'food security' of its own Indians. But sugar export subsidies/taxation is going beyond the scope of food-security.
- 2021: WTO ordered Indian govt to stop its sugar subsidies. Indian Commerce ministry said that WTO judgement is "completely unacceptable" to India, and we'll appeal against it.

40.14 🌾👨🌾🔍 AGRICULTURE PRODUCTION & PROCESSING → OTHER SCHEMES

40.14.1 🏠🔑🌾🏭🔧 Agriculture Infrastructure Fund (2020-Jul)

- ⇒ **Boss?** Ministry of Agriculture. (कृषि मंत्रालय की कृषि अवसंरचना निधि)
- ⇒ **Type?** Central Sector Scheme (=States not req. to give money.)
- ⇒ **Beneficiary?** Farmers, Agriculture Cooperative Societies, Farmer Producers Organizations (FPOs), Self Help Group (SHG), Agri-startups, Public Private Partnership (PPP) projects etc.
- ⇒ Banks and NBFCs will loan them total ₹1 lakh cr. (10k cr this + 30k cr each in next 3 years) = total 1 lakh cr. NABARD may provide them with refinance. (Ref#1D)
- ⇒ 🔪 **Loan will be given for?**
 - Post-harvest Management Infrastructure (Warehouse, cold storage. कटाई के बाद भंडारण)
 - Community Farming Assets (सामुदायिक खेती की परिसंपत्तियां)
- ⇒ 🔪 **Loan duration?** Medium to long term loans. (How many years exactly? Ans. not clearly mentioned. (मध्यम से लंबी अवधि के ऋण)
- ⇒ 🔪 **Loan Interest?** To be decided by individual bank/NBFC.
- ⇒ 🔪 **Loan Interest Subvention?** 3% by Government (ब्याज में सब्सिडी/मदद)
- ⇒ 🔪 **Loan Default?** = upto ₹2 cr credit guarantee by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE: Ref1D)
- ⇒ **Scheme Valid** for next ten years, starting from 2020



🚩👤 **FAQ by Zhande-walle Babushone:** Q1) how is the scheme valid for next 10 years if the loans are given only for the next "X" years? (2) What is Joint Liability Groups (JLG) (3) Aggregation Infrastructure Providers? ✅ **Ans.** Poor Cost benefit / Not imp.

40.14.2 📢 **Bharat Campaign under Agriculture Infrastructure Fund**

- Agri ministry's campaign / competition / training program for bankers.
- To ensure bankers give maximum loans and awareness generation for Agriculture Infrastructure Fund scheme.

BHARAT = Banks Herald Accelerated Rural & Agriculture Transformation (full form not imp)

40.14.3 🧑🌾🧑🔍 **Agro Produ. & Processing → Farmer Producer Company (FPC)**

- ⇒ Western economists had predicted that small farms will eventually cease to exist as big farmers will buy their land, but that hasn't happened in India. So, Government decided better to enable small farmers to setup company & combine their landholdings.
- ⇒ 2003: Companies Act, 1956 was amended to allow new type of company- FPC.
- ⇒ FPC is a hybrid between a private limited company (=professional management) and a cooperative society (mutual benefits without excessive weightage to who contributed how much land / share capital.)
- ⇒ FPC can be setup by minimum 10 farmers (no upper limit). However, FPC is not allowed to become a Public Ltd. company i.e. they can't invite public at large to invest in their shares/bonds.
- ⇒ Agro ministry gives them financial support, credit guarantee for bank loans.

40.15 🧑🌾🧑🔍 **AGRO PRODUCTION & PROCESSING → RKVY & RAFTAAR (2017)**

- ⇒ Boss? Agro Ministry. Core Scheme = not 100% funded by Union.
- ⇒ Rashtriya Krishi Vikas Yojana (RKVY) started during UPA/Congress (2007).
- ⇒ 2017: Modi renamed and rebranded it to RKVY-RAFTAAR i.e. Remunerative Approaches for Agriculture and Allied sector Rejuvenation.
- ⇒ It provides funding for Infrastructure creation (warehouse, cold storage, market facility etc.); training & skill development (Mushroom cultivation, beekeeping, aromatic plant cultivation, floriculture) and financial support to farmers to start agri-enterprise after getting the training.

40.16 🧑🌾🧑🔍 **AGRO PROD. & PROCESSING → GREEN REVOLUTION - KRISHONNATI YOJANA**

- **Boss?** Agro Ministry. **Core** scheme= not 100% paid by Union.
 - 2017: Modi made this umbrella scheme (छतरी योजना) by combining previous 11 Congressi Schemes viz.
1. Mission for Integrated Development of **Horticulture** (MIDH:बागबानी एकीकृत विकास): Bee keeping also promoted in it. One of MIDH sub-mission is 'Coordinated Programme on Horticulture Assessment and Management using 'geo-informatics' (Project CHAMAN) to use space technology / remote sensing data to assess the horticulture production & diseases in India. 2018: Phase-II of Chaman launched.



2. National **Food Security** Mission (NFSM) to increase production of rice, wheat, pulses, millets (coarse cereals) and commercial crops & restore soil fertility.
 - a. 2018 declared as “**National Year of Millets**”. Further, UN & FAO accepted India’s proposal to celebrate 2023 as **International Year of Millets** (अंतर्राष्ट्रीय बाजरा वर्ष). Because, millets are tolerant to drought, climate change, photo insensitive; need less water, provide nutritious elements in poor families’ diet. So, Govt create two sub-missions.
 - i. NFSM on Makka and Jau.
 - ii. NFSM on Nutri-Cereals (पौष्टिक अनाज) - Jowar, Bajra, Ragi and little millets like Kutki, Kodo, Sawa, Kangni and Cheena.
 - b. NFSM has another sub-mission: National Mission on Oilseeds and Oil Palm (NMOOP: तिलहन और तेल पाम) to augment the availability of vegetable oils and to reduce the import of edible oils. Associated term: Yellow Revolution.
3. National Mission for **Sustainable Agriculture** (NMSA: स्थायी / सतत कृषि के लिए राष्ट्रीय मिशन) to encourage organic manures, bio fertilizers, cropping practices for soil and moisture conservation measures; Rainfed Area Development (RAD) programme.
 - a. Subscheme: National Bamboo Mission (NBM) to augment the income of farmers. Further, Indian Forest Act, 1927 was amended to exclude bamboo from the definition of ‘trees’. This will encourage bamboo grown outside forest area without interference from Forest Department.
4. Sub-mission on **Agriculture Extension** (SMAE: कृषि विस्तार पर उप मिशन): farmers training & skill development with more use of electronic / print media, mobile apps and ICT tools, etc.
5. National **e-Governance** Plan on Agriculture (NeGP-A: राष्ट्रीय ई-गवर्नेंस): to enhance reach of extension services- about cropping methods, market prices etc. to the farmers.
6. Sub-Mission on **Seeds and Planting** Material (SMSP: बीज तथा पौध रोपण सामग्री): to promote new technologies in seed production, processing, storage, certification and quality etc.
7. Sub-Mission on Agricultural **Mechanisation** (SMAM: कृषि मशीनीकरण पर उपमिशन): To increase the availability of farm machines to small and marginal farmers. e.g. ‘Custom Hiring Centres’ where they can rent the machines without spending money on individual ownership. encourage R&D for small-sized machineries for small landholdings, hill-areas etc.
8. Sub Mission on **Plant Protection** and Plan Quarantine (SMPPQ: पौध संरक्षण और पौधों के अलगाव पर उपमिशन): To minimize the damage by insect pests, diseases, weeds, rodents, etc. and to shield our agricultural biosecurity from alien species.
9. Integrated Scheme on Agriculture **Census, Economics** and Statistics (ISACES: कृषि गणना, अर्थव्यवस्थाएं तथा सांख्यिकी पर एकीकृत योजना): For data collection which can be used for R&D and policy making.
10. Integrated Scheme on **Agricultural Cooperation** (ISAC: कृषि सहयोग): Give financial assistance for farmers' cooperatives for agricultural marketing, processing, storage etc.



11. Integrated Scheme on **Agricultural Marketing** (ISAM: कृषि विपणन): To develop online and offline agricultural marketing infrastructure.

<**Homework?** After Prelims, self-study their features in a more comprehensive manner from Yojana-Kurukshetra magazines, because UPSC is in habit of asking about random obscure agro. schemes in the mains exam. E.g. horticulture mission.>

40.16.1 🌾👤🔍 **Agro Production & Processing → PM Kisan Sampada Yojana**

- ⇒ Boss? Food Processing Ministry. Central Sector Scheme. 100% funded by Union.
- ⇒ Modi's PMKSY (प्रधान मंत्री किसान सम्पदा योजना) is an umbrella scheme incorporating previous Congressi schemes like Mega Food Parks, Integrated Cold Chain, modernization of reefer vans etc. Basically, funding is given to setup food processing infrastructure / parks / collection centres. E.g. Patanjali Food and Herbal Park at Haridwar, Uttarakhand.
- ⇒ **Budget-2018** launched a new sub-scheme under PM Kisan Sampada Yojana called "**Operation Greens**" for T-O-P: Tomato, Onion and Potato to improve infra for their storage & transport → round the year availability of T-O-P @affordable prices.

AB CD MCQ. Which among the following one schemes focuses on developing modern infrastructure and optimizing supply chain from farm to retail in Indian agriculture sector? (CAPF-2025)

- (a) Pradhan Mantri Kisan Sampada Yojana (PMKSY)
- (b) Rashtriya Krishi Vikas Yojana (RKVY)
- (c) PM Kisan Maandhan Yojana (PMKMY) (d) Paramparagat Krishi Vikas Yojana (PKVY)

40.16.2 🧑🍅🥕🥬 **Atma-Nirbhar: "Op Green" expanded to all fruits & veggies**



- ⇒ Food Processing Ministry → PM Kisan Sampada Yojana → sub scheme called Operation Greens for T-O-P: Tomato, Onion and Potato
- ⇒ **2020:** 🤨Corona → 🧑🍅ATMANIRBHAR= now we'll expand from T-O-P to ALL fruits and vegetables. It'll provide
 - 50% subsidy on transportation from surplus area to deficient area.
 - Long term subsidy on storage infrastructure. (भंडारण के लिए बुनियादी ढांचा)
- ⇒ **Benefit?** reduced food wastage, Better prices for farmers, affordable food for consumers (अपव्यय/बर्बादी, किसान को बेहतर कीमत, ग्राहक को किफायती दाम)

40.16.3 → **Horticulture** ☒ **CDP program by NHB**

- Boss? Agri Ministry → National Horticulture Board (NHB. Setup @1984 @Gurugram Haryana).NHB is an autonomous society under the Societies Registration Act 1860.
- NHB is running Horticulture Cluster Development Program (CDP).
- Type? Central sector scheme (= states not required to contribute money.)



- Target? 9 lakh hectares of area with 10 lakh farmers covered through all 55 clusters. e.g.

Crop	Regions
Apple	Shopian (J&K) and Kinnaur (H.P.)
Mango	Lucknow (U.P.), Kutch (Gujarat), Mahbubnagar (Telangana)
Banana	Anantpur (A.P.) and Theni (T.N.)
Grapes	Nasik (Maharashtra)
Pineapple	Siphahijala (Tripura),
Pomegranate	Solapur (Maharashtra) and Chitradurga (Karnataka),
Turmeric	West Jaintia Hills (Meghalaya)

40.16.4 🍒🍌 Horticulture → CDP-SURAKSHA for Instant subsidy via E-Rupi (2024)

- Boss? National Horticulture Board (NHB).
- Cluster Development Programme (CDP) → System for Unified Resource Allocation, Knowledge, and Secure Horticulture Assistance (SURAKSHA)
- To give instant subsidy to farmers for purchasing horticulture seed/planting material online, with help of E-Rupi vouchers.
- Partner-banks: HDFC Bank, ICICI Bank, SBI, Bank of Baroda - will generate e-RUPI vouchers using NPCI's technology.
- What is E-Rupi? (Ref: Pillar#1A1 Digital payment)



40.16.5 🍷🍷🍷 Atma-Nirbhar: Food Enterprises promotion (खाद्य उद्यमों को बढ़ावा)

- ⇒ **Scheme:** Prime Minister-Formalization of Micro Food Processing Enterprises (PM-FME):
- ⇒ Existing (unorganized sector) micro food enterprises, Farmer Producer Organisations, Self Help Groups and Cooperatives



- ⇒ will be given funding, training, support for brand Building, marketing . (असंगठित क्षेत्र के लघु खाद्य उद्यमों को वित्त पोषण, प्रशिक्षण, समर्थन)
- ⇒ Help them comply with Food Safety Standards, (खाद्य सुरक्षा मानक)
- ⇒ **Cluster based approach** of development e.g. Mango in UP, Kesar in J&K, Bamboo shoots in North-East, Chilli in Andhra Pradesh, Tapioca in Tamil Nadu etc. → ↑ Export (समूहबद्ध करके विकास, निर्यात में बढ़ोतरी)
- ⇒ **Herbal cultivation** of medicinal plant, beekeeping will be encouraged (औषधीय पौधे, मधुमक्खी पालन)

MCQ. which can be considered as public investment in agriculture? (Prelims-2020)

1) Fixing MSP (2) Computerization of Primary Agriculture Credit Societies

3) Social Capital development (4) Free electricity supply of farmers

5) Farmer loan Waiver (6) Setting up of cold storage facilities by the govt

Codes: (a) 1, 2 and 5 only (b) 1, 3, 4 and 5 only (c) 2, 3 and 6 only (d) 1, 2, 3, 4, 5 and 6

40.17 🇮🇳 FOOD PROCESSING INDUSTRIES FOR GSM3



Shifted to Mains. #Prelims-RAFTAAR

40.18 🐮 SECTORS → AGRO ALLIED: → ANIMAL HUSBANDRY (कृषि संलग्न क्षेत्र: पशुपालन)

- Agri allied sectors = Animal Husbandry, Dairying, Fisheries & aquaculture, forestry & logging.
- The dairy sector employing more than 8 crore farmers directly
- **Agri's DPSP-Article 48:** requires the State to organise animal husbandry on modern and scientific lines, preserving and improving breeds, and prohibiting the slaughter of cows and other cattle.
- **India's #1 milk producer, #3 egg producer and #8 meat producer-** says 📄 ES23.
- Per capita availability of milk and eggs has steadily ↑ in recent years, says 📄 ES22

40.18.1 🐮🐑🇮🇳 Livestock Census (पशुधन की जनगणना)



- Department of Animal Husbandry conducts livestock Census every 5 year since 1919-20.
- The 20th Livestock Census: data collection started in 2018-Oct. data released in 2019.
- India has the world's largest livestock population



(Largest to Smallest)	Census-2018-19 (in million)	Internal Distribution: <i>More imp for State PCS Exam than IAS exam</i>
Cattle	192.49	⇒ WB>UP>MP>BH>MH ⇒ Female Pop>Males. ⇒ Indigenous Population is more than Crossbred/Exotic Pop. ⇒ In-Milk giving population greater than Dry Population
Goat	148.88	RJ>WB>UP>BH>MP
Buffalo	109.85	UP>RJ>Guj>MP>Bihar
Sheep	74.26	Telangana>Andhra>Kar>RJ>TN
Pig	9.06	Assam>JH>Megha>WB>Chhattisgarh
Mithun	0.38	It's a Buffalo like animal found in Northeast Only 4 States: Arunachal>Naga>Mani>Mizo
Horses & Ponies	0.34	UP>JK>RJ>BH>Guj
Camel	0.25	Only 4 States: RJ>Guj>Haryana>UP
Donkey	0.12	RJ>MH>UP>Guj>BH
Mule	0.08	<i>info not available in Census document</i>
Yak	0.06	Only 5 States: J&K>Arunachal>Sikkim>HP>WB
Total (Mammal Livestock)	535.78	Top 5-States: UP>Raj>MP>W.Bengal>Bihar

Separately

Poultry	851.81	Top 5-States: TN>Andhra>Telengana>WB>MH
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40.18.2 → Animal 🐼 21st Livestock Census (2025)

- 🧠 Mastermind? Minister of Fisheries, Animal Husbandry and Dairying,
- Target? Calculate the number of domesticated animals, poultry, and stray animals in the country. These include: cattle, buffalo, mithun, yak, sheep, goat, pig, camel, horse, ponies, mule, donkey, dog, rabbit, and elephant.

40.18.3 🐄🐑 Agro Allied: Animal husbandry → White Revolution

- India ranks first in milk production, accounting for 20 percent of world production.
- 1970-1996: Operation Flood in 3 phases, to setup dairy farmers' cooperatives → increase milk production in India.
- Afterwards, milk production in India has been increasing steadily.
- All India per capita availability of milk is 375 grams per day, it varies between 71 grams per day in Assam to 1120 grams per day in Punjab.
- **White Revolution Scheme Boss?** Department of Animal Husbandry & Dairying.
- Core Scheme = Not 100% Funded by Union.
- It is an Umbrella scheme covering many *Congressi* schemes like Dairy Entrepreneurship Development, Livestock Census, National Livestock Mission, fodder & vaccination etc.



- Notable parts of White revolution are →

Table 1: by default, Animal husbandry ministry responsible for this

Pashudhan Sanjivani	- Animal Wellness Programme with emergency helpline - Farmers given Nakul Swasthya Patra: An Animal Health card with UID identification number of each animal registered in a National Database.
e-Pashudhan Haat portal	Online portal for connecting farmers with breeders of indigenous bovine breeds for bulls, artificial insemination etc. (कृत्रिम गर्भाधान)
MAITRIs	Multipurpose AI Technicians in Rural India (MAITRIs) to deliver breeding inputs to farmers' doorstep. (किसान के घर पे आके मवेशी का कृत्रिम गर्भाधान)
E-Gopala App (2020-Sept)	National Dairy Development Board's (NDDB) App to give info on cattle care, health and diet. Later, Animal's separate Unique Identification number (UID/Aadhar) numbers to be added in e-GOPALA app to make it easier for cattle owners to buy and sell animals. (मवेशियों की बिक्री होगी आसान)
Gopal Ratna Award	To farmers who adopt 100% Artificial insemination method.
National Kamdhenu breeding centre	For development and conservation of indigenous breeds in a scientific manner. Two centres- 1) Itarsi near Hoshangabad in M.P. 2) Chintaladevi near Nellore in Andhra GK-NOTIMP.
Rashtriya Kamdhenu Aayog 2019	Int-Budget-2019 setup this executive body in Department of Animal Husbandry & Dairying. Goals? - Genetic up-gradation of cow resources - Enhance cow productivity through research in organic manure, biogas etc; Cow welfare, cow protection laws. Structure: - Chairman with tenure of 2 years. - Members from govt, research institutions, social workers etc their tenure depends on govt's discretion.. HQ: New Delhi.
Budget-2020	✓ We'll eliminate following disease by 2025: ○ Cattle: Foot and Mouth disease, Brucellosis ○ sheep and goat: Peste Des Petits Ruminants (PPR) ✓ We'll use MNREGA workers to develop fodder farms.
Dairy Sahakar 2021	dairy sector to get loans through National Cooperative Development Corporation (NCDC).
Rashtriya Gokul mission	- Indigenous bovine breeds (स्वदेशी गोजातीय नस्ल)- conserve them & increase their population. E.g. Gir, Sahiwal, Rathi, Deoni, Tharparkar, Red Sindhi. - So it can improve income of poor farmers/labourers in villages. - State govts are given money for establishing Gokul Gram breeding & disease treatment centres.

MCQ. Find correct about the Rashtriya Gokul Mission:(Pre'25)



I. It is important for the upliftment of rural poor as majority of low producing indigenous animals are with small and marginal farmers and landless labourers.

II. It was initiated to promote indigenous cattle and buffalo rearing and conservation in scientific and holistic manner.

Codes: (a) I only (b) II only (c) **Both I and II** (d) Neither I nor II

40.18.4 Pashu Aushadhi initiative: Affordable Veterinary Medicines (2025)

“Generic medicines” are basically non-branded drugs. After a company’s drug patent expires → other companies can start manufacturing it a generic drugs.

e.g. branded drug **Crocin/Metacin** vs Generic drug = **Paracetamol**

	for human	for animals
Scheme	Pradhan Mantri Bharatiya Janaushadhi Kendras (2008)	Pashu Aushadhi initiative (2025)
Boss	Department of Pharmaceuticals under the Ministry of Chemicals and Fertilisers.	Ministry of Fisheries, Animal Husbandry & Dairying
Outlets	run by Government Hospitals, NGOs, individuals	stores will be run by cooperative societies and Pradhan Mantri Kisan Samridhi Kendras
traditional medicine	yes Ayurvedic formulations also sold	yes will also sell ethno-veterinary medicines e.g. traditional formulations from garlic & turmeric powder etc to treat animal fever.

40.18.5 Challenge in dairy sector?

1. Post-2017: Excess supply of milk in global market → crash in milk prices. So, Indian private dairy owners also cut down their procurement prices, resulting in dairy farmers’ distress & agitations. So, farmers spilling milk on highways in protest. (अत्याधिक आपूर्ति → दामों में गिरावट)
2. As animal gets old & stops giving milk → farmers sell it to slaughter house to get money to buy new animals. But, this trade becoming difficult due to present socio-political atmosphere → even leather-industry also suffering. (वर्तमान सामाजिक-राजनीतिक माहौल में बूढ़े पशुओं को कल्लखाने में बेचने में किसान को दिक्कत, जिससे कि चमड़ा उद्योग में भी समस्या)
3. RCEP Agreement Angle. Ref- Handout: Pillar-3B
4. Corona-2020: ↓ in milk demand due to lockdown, tea-shops, sweet shops, ice cream parlours, restaurants, hotel etc shutdown → private dairies stopped milk procurement from the farmers → farmers started selling to milk cooperative dairies but they’re unable to pay money because slow business. (लॉकडाउन के चलते निजी डेयरी-मालिकों ने किसानों से दूध खरीदना किया बंद तो किसान सहकारी दूध मंडलियों में ज्यादा दूध भरवाने लगे किंतु वहाँ पर भी धंधा मंदा है)
5. 2022: Fodder Shortage / inflation → milk prices inflation.



40.18.6 🍌🐮 Cow (welfare) Cess

Punjab was the 1st State start to levy Cow (Welfare) Cess on sale of liquor, electricity etc. Later on Chandigarh, Uttar Pradesh, Rajasthan also started collecting it.

40.18.7 🐏🐐: 📦📦 ES2019 suggests focus on Small Ruminants

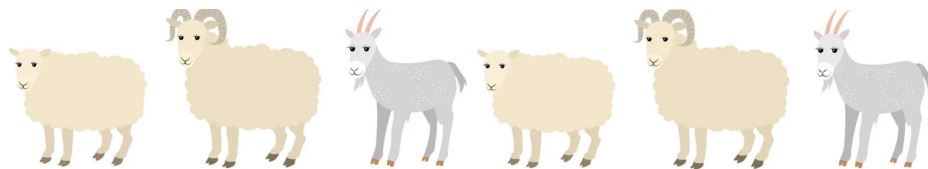


Figure 1: हम तो Day#1 से Mains Answer Writing करते थे!

Sheep and goat are collectively known as **small ruminants** (जुगाली करनेवाले छोटे जानवर)

- These small ruminants have higher survival rates under drought conditions compared to **bovines** (गौ-जातीय पशु: Cattle, Buffalo, Mithun and Yak).
- They can even live on shrubs and trees. Their reproduction rates are higher than large ruminants. Farmers/producers can sell them more frequently & no fear of 'cow-vigilantism'. (गौ-रक्षा के लिए नागरिकों द्वारा कानून को हाथ में लेना)
- Thus, small ruminants can help ↑ income of the small-marginal & women farmers. (छोटे सीमांत और महिला किसानों की आय में बढ़ोतरी)

40.18.8 🐏🐮🥛🥛🥛 Atma-Nirbhar: Dairy cooperatives (दुग्धालय सहकारी समितियां)

- ⇒ 😞😞 Corona lockdown = milk sales ↓ .
- ⇒ Government to give 2% loan interest subvention to dairy cooperatives for **working capital requirement** (i.e. purchase of raw material, electricity bill etc) + If they regularly repay loans then additional 2% = total 4% interest subvention (ब्याज में राहत).
- ⇒ **Dairy Processing and Infrastructure Development Fund (DIDF)** to give 2.5% interest subsidy for setting up new milk processing/chilling facilities.
- ⇒ National Animal disease control → 100% vaccination of domestic animals against Foot and Mouth Disease (FMD) and for brucellosis. (पशुओं का टीकाकरण)
- ⇒ **Animal Husbandry Infrastructure Development Fund** (पशुपालन की बुनियादी अवसंरचना विकास निधि) → 3% loan interest subsidy & 25% loan credit guarantee etc.

40.18.9 🏆🥛 Golden jubilee event of Amul

- 1973: Gujarat Cooperative Milk Marketing Federation (GCMMF) formed.
- Associated famous personality: Verghese Kurien (1921 –2012), known as the Father of the White Revolution in India.
- 2023–24: Amul 50 years completed. Amul is the world's 8th largest dairy in in the world.

40.18.10 👩👩 Nandini Sahakar scheme

- By National Cooperative Development Corporation (NCDC) under Ministry of Cooperation
- To help women cooperatives for any business activities in any sector, except urban housing.
- Loan and interest subvention given.



- There is no minimum or maximum limit on financial assistance to projects by women cooperatives.

MCQ. Find correct abt Nandini Sahakar Scheme: (CAPF-2025)

1. This scheme is assisting women cooperatives to take up business under purview of NCDC.

2. There is no minimum or maximum limit on financial assistance,

Codes: (a) 1 only (b) 2 only (c) **Both 1 and 2** (d) Neither 1 nor 2

40.19 AGRO ALLIED: FISHERIES → BLUE REVOLUTION (मत्स्य → नीली क्रांति)

(Introduction) India is the second largest fish producer in the world. Majority of our production comes from inland fisheries sector. It provides employment, income, export earning, nutrition and food security to a large population (more than 25 million Indians). Frozen shrimp is India's largest exported seafood item.

- **Blue Revolution Boss?** Dept of Fisheries. This is also a core scheme.
- Government gives money for modernization of boats, marketing & cold storage infrastructure. National scheme for welfare of fishermen which gives money for construction of houses, tube wells for drinking water etc. Promote Inland fisheries, aquaculture & pisciculture i.e. raising fish in artificial tanks/ ponds.
- **Budget-2019:** Dept of Fisheries to launch **Pradhan Mantri Matsya Sampada Yojana (PMMSY)** for infrastructure, post-harvest management, quality control etc.
- **Budget-2020:**
 - **"Sagar mitras":** these extension workers to advise fishermen with processing and marketing. मछुआरों को प्रसस्करण-और विपणन तालीम देने के लिए सागर-मित्र
 - Target to raise fishery export to ₹1 lakh crore by 2024-25.
 - We'll promote growing algae, sea-weed and Cage Culture (*growing of fishes in existing water resources in a net cage which allows free flow of water.*)
- **Budget-2021:** 5 major fishing harbours – Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat (W.Bengal) – will be developed further (मछली पकड़ने के बंदरगाह अधिक विकसित किए जाएंगे)
- **Mariculture** = cultivation of marine organisms in their natural environment in sea upto 12 nautical miles from coast. Just like Agriculture, this is also a State-list subject. 2018: Agro Ministry announced Draft National Policy on Mariculture which encourages State Govts to lease the sea area to private entities & even farming of genetically modified species in enclosed / caged marine spaces. #थोड़ा-पढ़ो-आगे-बढ़ो

40.19.1 Pradhan Mantri Matsya Sampada Yojana (2020)





⇒ Originally announced in Budget 2019. but was not launched in that financial year. Then Corona

→ Atma-Nirbhar 2020-May/Jun → yes we'll launch it.

⇒ **Boss?** Ministry of Fisheries, Animal Husbandry & Dairying

⇒ **Type?** It's an umbrella scheme worth >20kcr. Made up of two sub-schemes/parts:

- 1) Sub-scheme #1: Central Sector Scheme (=state not req to give money)
- 2) Sub-scheme #2: Centrally Sponsored Scheme (=States required to give money.)

This scheme provides Support / Funding / Subsidies for

- ✓ 🏠 **Sagar Mitra** youth extension workers: They'll give training to fishermen.
- ✓ 🚤 Fishing Boat/Vessels → Loans interest subsidy and Insurance premium subsidies (नाव/पोत के लिए ऋण के ब्याज और बीमा किस्त में सब्सिडी)
- ✓ 🐟 Inland Aquaculture, Coldwater Fisheries in Himalayan areas, (अंतर्देशीय, शीत जल मत्स्य)
- ✓ 🌿 Seaweed cultivation, 🐠 Ornamental Fisheries (समुद्री शैवाल की खेती, सजावटी मछली)
- ✓ 🌊 Mariculture: cultivation of marine organisms in their natural environment in sea upto 12 nautical miles from coast.
- ✓ ⚓ Development of fishing harbours, Post harvest infrastructure, transport, marketing support (बंदरगाह, बुनियादी अवसंरचना, परिवहन, विपणन सहायता)
- ✓ 🏥 Quality control labs so we can comply with US/EU's health/hygiene, sanitary and phyto-sanitary (SPS) standards. (गुणवत्ता नियंत्रण प्रयोगशालाएं, ताकि अपना मत्स्य उत्पाद विदेशों में स्वास्थ्य/स्वच्छता संबंधित मानकों पर खारिज ना हो जाए)
- ✓ 📅 **Scheme Valid** for next five years, starting from 2020
- ✓ 🏠 **Outcome?** 55 lakhs direct and indirect jobs, ₹1 lakh cr fisheries export by 2025.

👉 **Conclusion?** Fisheries and aquaculture are an important source of food, nutrition, employment and exports in India. Govt has taken an appreciable step to boost this sector further. (भोजन, पोषण, रोजगार और निर्यात की बढ़ोतरी के लिए महत्वपूर्ण इस मत्स्य क्षेत्र को, और बढ़ावा देने के लिए सरकार ने, एक सराहनीय कदम उठाया है।)

40.19.2 🐟 **Pradhan Mantri Matsya Kisan Samridhi Sah-Yojana (2024-Feb)**

- It is a Central Sector Sub-scheme under the Pradhan Mantri Matsya Sampada.
- Central Sector = 100% funding by Union. States need not give money.
- for supporting fisheries micro and small enterprises
- Target: investment of over Rs. 6,000 crores in next 4 years from FY 2023–24 to FY 2026–27.
- registration of unorganized fisheries enterprises at National Fisheries Sector Digital Platform
- helping them get loans from bank/NBFCs.
- helping them buy insurance for aquaculture.
- performance grants for fishery product safety and quality control systems.

40.19.3 🐟 **PM Matsya Sampada Yojana → 🏠 Interim-Budget-2024:**

- enhance aquaculture productivity from existing 3 to 5 tons per hectare
- double exports to ? 1 lakh crore; generate 55 lakh employment opportunities in near future
- Five integrated aquaparks will be setup.



40.19.4 🏆👑 Shaphari certification for aquaculture exports (MPEDA, 2021)

‘Shaphari’= Sanskrit for superior quality of fishery products suitable for human consumption.

- 2021: Marine Products Exports Development Authority (MPEDA, a statutory body under Commerce Ministry) has developed a Shaphari certification scheme for aquaculture (e.g. fish, shrimp etc), based on UN Food and Agriculture Organization’s technical guidelines.
- If an Indian aquaculture farmer/company gets this certificate = means his shrimp/fish etc. are free of harmful chemicals/pesticides/antibiotics. (प्रमाणपत्र की मछली-झींगा में जहरीले रसायन नहीं)

40.19.5 🐟🔧 Fish capture devices mentioned in 📖 ES25:

Device	description
Cages	netted enclosures in water bodies like lakes or rivers, allowing water flow while containing fish.
Pens	netted enclosures in natural water bodies, restricting fish to a specific area while allowing water exchange.
Raceways	narrow channels with continuous one-way water flow, supplying oxygen and removing waste efficiently.
RAS	Recirculating Aquaculture Systems uses tanks to grow fish while continuously filtering and reusing water.
Biofloc systems	use microorganisms (bacteria, algae) to convert organic waste, uneaten feed, and excreta into protein-rich feed directly in the water.

🧑🏫 FAQ: what do they mean? How do they work? ✅ You can search ChatGPT for images. I have copy-pasted from 📖 ES25, incase UPSC ask some randomly lifted MCQ on Agriculture.

40.19.6 🐝 Sweet Revolution (Honey / Beekeeping) मीठी क्रांति, शहद, मधुमक्खी पालन

- 2017: 'Honey Mission' was launched by Khadi and Village Industries Commission (KVIC, a statutory body under MSME Ministry). PM Modi termed it ‘Sweet revolution’. (शहद)
- 2020: Agri ministry launched National Beekeeping & Honey Mission (NBHM)
- Honey provides 😍 income from selling honey to food processing industry, beeswax in chemical industry, bee-venom to pharma industry etc.

40.19.7 🌈 Other revolutions:

Color / रंग	Objective / उद्देश्य
🐷 “Pink Revolution”	for meat and poultry industry, under Ministry of food processing. Some experts say it is also related with the fish/prawn/shrimp
Yellow revolution	oilseed
Silver revolution	egg / Cotton / Fibre
Golden revolution	Fruits / Honey Production / Horticulture / Jute.



Black revolution	Indian government planned to boost the production of petroleum by mixing bioethanol with petrol and biodiesel with diesel.
Evergreen revolution	increasing in productivity using technology BUT without harming environment. Concept given by M S. Swaminathan
Orange Revolution	Ukraine protests about corruption, democracy (2004)
Tulip Revolution	Kyrgyzstan corruption, democracy (2005)
Jasmin Revolution	Tunisia about corruption, democracy (2010)

AB
CD

MCQ. Find correct pairs of revolution in agriculture? (CDS-2023-ii)

- 1) Pink revolution : Shrimp production 2) Yellow revolution: Oilseeds production
 3) Black revolution : Biodiesel production 4) Golden revolution: Egg production
 Codes: (a) 1, 2 and 3 (b) 2 and 3 only (c) 1 and 3 only (d) 2 and 4 only

40.20 🌽👨🔬🏠 AGRICULTURE → RESEARCH & EDUCATION, EXTENSION SERVICES

40.20.1 🏠 Org: ICAR

- ✓ Indian Council of Agricultural Research (1929) is the apex autonomous body of agricultural research, education and extension under the ministry of agriculture.
- ✓ ICAR operates through 690 + Krishi Vigyan Kendra which provide last Mile connectivity to farmers and help them adopt the latest cropping technologies.
- ✓ Further details on agri-extension services = SHIFTED To Mains Handout. #Prelims-RAFTAAR



40.20.2 🇮🇳 Agri Census

- 1970: Started Agriculture Census in India as part of FAO's World Census of Agriculture.
- Nodal? Agricultural Ministry, but data collection done by National Sample Survey Office (NSSO) under Ministry of Statistics and Programme Implementation (MOSPI)
- Duration: quinquennially = every 5–5 years from 1970. However, 2020 delayed by Corona. So, Agri-Census 2021–22 (phase-1) may be completed by 2023-December.

40.20.3 📅 Agriculture year versus Financial Year

<i>Financial year</i>	<i>Agriculture year</i>
1/April to 31/March	1/July to 30/June
For Taxation, accounting purpose	For agriculture census / survey / data collection

40.20.4 🇮🇳 Digital Crop Survey system by Agri Ministry

<i>BEFORE</i>	<i>From 2024-July</i>
Crop survey conducted manually with pen and paper resulting into delays and errors. (सर्वेक्षण कागज़ और पेन से किया जाता था इसलिए गलतियों का अवकाश ज़्यादा।)	GPS enabled mobile apps.

👨🔬 FAQ: what is survey vs census?



- Census = data collection of entire population/area. (जनगणना)
- Survey = e.g. suppose only 10% of entire population/area sample taken. (सर्वेक्षण)

40.21 📡 APPS/PORTALS/ E-TECH IN AID OF FARMERS – SHIFTED TO MAINS HDT

Agri ministry launched truckload of apps/portals but in Prelims PYQs hardly anything asked. so I am shifting this section to MainsQEP-4A HDT under the topic 'E-Technology for the aid of farmers'.

40.22 🌾 GLOBAL COOP: FOOD AND AGRICULTURE ORGANISATION (FAO)

- खाद्य और कृषि संगठन is a specialized agency of UN, setup in 1945 with HQ @Rome, Italy.
- It publishes Food Price Index (FPI) to monitor inflation. This index focuses on five commodity groups namely - cereals, oilseeds, dairy products, meat and sugar (खाद्य महंगाई सूचकांक बनाता है)
- FAO started celebrating international milk day on June 1 since 2001. Now 20th World Milk Day 2021 with the theme 'Sustainability in the dairy sector.' अंतरराष्ट्रीय दूध दिवस हर साल जून में मनाया जाता है

40.22.1 🌾 🌾 International Year for Millets (2023)

- ⇒ United Nations General Assembly, in its 75th session during March 2021, declared 2023 the International Year of Millets (IYM)
- ⇒ India's millet production accounts for 80% of Asia and 20% of global production.
- ⇒ In India, millets are primarily a Kharif crop mostly grown in rainfed conditions
- ⇒ requiring less water and agricultural inputs than other staple crops.
- ⇒ Government notified Millets as Nutri-cereals in April 2018. Under the National Food Security Mission (NFSM), millets have been introduced to provide nutritional support.
- ⇒ 🎒 Budget-2023: we grow several types of 'Shree Anna' such as kuttu, ramdana, kangni, kutki, kodo, cheena, and sama. we'll give the funding to Indian Institute of Millet Research, Hyderabad. It is an org. under under Indian Council of Agricultural Research (ICAR).

India's yield higher than global avg.	GLOBAL	INDIA
Avg. Yield (kg/ha)	1229	1239

AB CD MCQ. Find correct about millets: (CAPF-2023)

1. Millets are often referred to as climate-resilient crops because they can grow on arid lands with minimal inputs and maintenance.
 2. Millets are a good source of minerals, dietary fibre, antioxidants and protein.
 3. Millets, including sorghum, account for less than 3% of the global grains trade.
- Codes: (a) 1 and 2 only (b) 1 and 3 only (c) 2 and 3 only (d) 1, 2 and 3

40.22.2 🌾 🌾 MILLETS: MAHARISHI

- Millet and other Ancient Grains International Research Initiative (MAHARISHI)
- At G20 Summit-2023 → meeting of agricultural chief scientists (MACS)
- HQ: Indian Institute of Millets Research (IIMR) in Hyderabad for research-development, awareness-generation etc.

40.22.3 🌾 🌾 MIIRA for global Millet R&D (2023)

- ⇒ 'Millet International Initiative for Research and Awareness'.



⇒ India wants to launch this with help of G20 nations, for global coop in millet R&D.

40.22.4 🍷 1st Global Symposium on Farmers' Rights (2023)

- Venue: New Delhi. - Organizer: FAO and Indian agri ministry.
- Aim: Protect farmers' rights against seed companies (e.g Pepsi-Potato).

40.22.5 🍷 Global Cooperation: International Years by United Nations (UN)

2023: Millets. 2024: Camelids (group of Camel species).

2025- (1) Quantum Sci-Tech (2) Cooperatives (3) Glaciers' Preservation (4) Peace and Trust

40.22.6 🍷 Global Coop: Misc. → 🏢 SAARC Food Bank (2007)

- ✓ 2007: South Asian Association for Regional Cooperation (SAARC) countries signed the agreement to establish the SAARC Food Bank.
- ✓ The Food Bank will help member nations' people in case of emergencies.
- ✓ Each member country is required to contribute either wheat/rice.
- ✓ Stock is kept with respective Govt agencies like FCI. So, Bank doesn't hv a HQ as such.

40.22.7 🍷 Global Coop: Misc. → 🏢 AMIS (2011, HQ@Rome,Italy)

- 2011: Agricultural Market Information System (AMIS) setup in Rome (Italy).
- AMIS tracks the food prices and coordinates with FAO, OECD, World Bank etc to ensure global food supply.
- 2023-G20 summit @Delhi observed that fertiliser prices also increased after Russia-Ukraine war so, we will use the AIMS mechanism to fix this.

40.22.8 🍷 Global Coop: Misc. → 🏢 IRRI (1960, HQ@Los Baños,Philippines)

- International Rice Research Institute (IRRI) to reduce poverty, hunger through rice science.
- Funding by Ford and Rockefeller foundations, & Philippine government.

40.22.9 🍷 Global Coop: Misc. → 🏢 International Grains Council (London)

- HQ: London, for cooperation in wheat and coarse grain matters.
- IGC has two types of members— importing and exporting members. India has been included in the category of exporting member since 2003

MCQ. Find Correct (Pre'24-SetC-Q49)

1. India is a member of the International Grains Council.
2. A country needs to be a member of the International Grains Council for exporting or importing rice and wheat. (इसका सदस्य बनने के बाद ही कोई देश अनाज आयात/निर्यात दुनिया में कर सकता है।)

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

40.23 🏆 GLOBAL AWARDS & FAMOUS SCIENTISTS RELATED TO AGRO

40.23.1 🏆 WORLD FOOD PRIZE AKA Nobel Prize in Agriculture

- ⇒ Award by World food Foundation (Founder- Dr. Norman E. Borlaug. HQ: Iowa State in USA)
- ⇒ Award given Every year on UN World Food Day (October 16).
- ⇒ 2023: Dr Swati Nayak, an Indian scientist at the International Rice Research Institute (IRRI).
Nickname: Bihana Didi (Seed Lady) by Odisha villagers.



⇒ 2024: Dr. Geoffrey Hawtin & Dr. Cary Fowler (from USA/UK), for crop biodiversity

40.23.2 . Famous Agri Scientists → M. S. Swaminathan (Tamilnadu, 1925–2023)

- Father of Indian green revolution.
- Modified wheat Sonora-64 and Lerma Rojo-64 with Gamma Rays. Field trials at Delhi's Jaunti village (1965) → Wheat yield improved from 1.5 to 4.5 tonnes per hectare.
- 🏆 Won Padma Shri & Bhushan & Vibhushan, Ramon Magsaysay & World Food Prize.

40.23.3 🧑. Famous Agri Scientists → Norman Borlaug (USA, 1914–2009)

- 1940s-50s: Worked with farmers in Mexico for wheat and rice.
- Developed dwarf variety of wheat Sonora-64 and Lerma Rojo-64. (गेहूं की बौनी प्रजातिया)
- 🏆 Nobel Peace Prize (1970). He is father of green revolution (for whole world).

40.23.4 🌾 CIMMYT- HQ Mexico funding stopped by Trump 2025

- CIMMYT (International Maize and Wheat Improvement Center)'s researcher Norman Borlaug, developed dwarf wheat varieties & helped India during green revolution.

- 2025 Trump stopped USAID funding → CIMMYT seeking support from Indian government

40.24 🍌 MAINS Qs FROM AGRICULTURE

Mostly centred around cropping types, Problems in land reforms, food processing, APMC.

Government reform to help farmers, food production etc. They're shifted to Mains-QEP Course.

📄 *Next HDT: Pillar4B: Sectors of Economy → MFG, MSME, Make/Assemble in India etc.*



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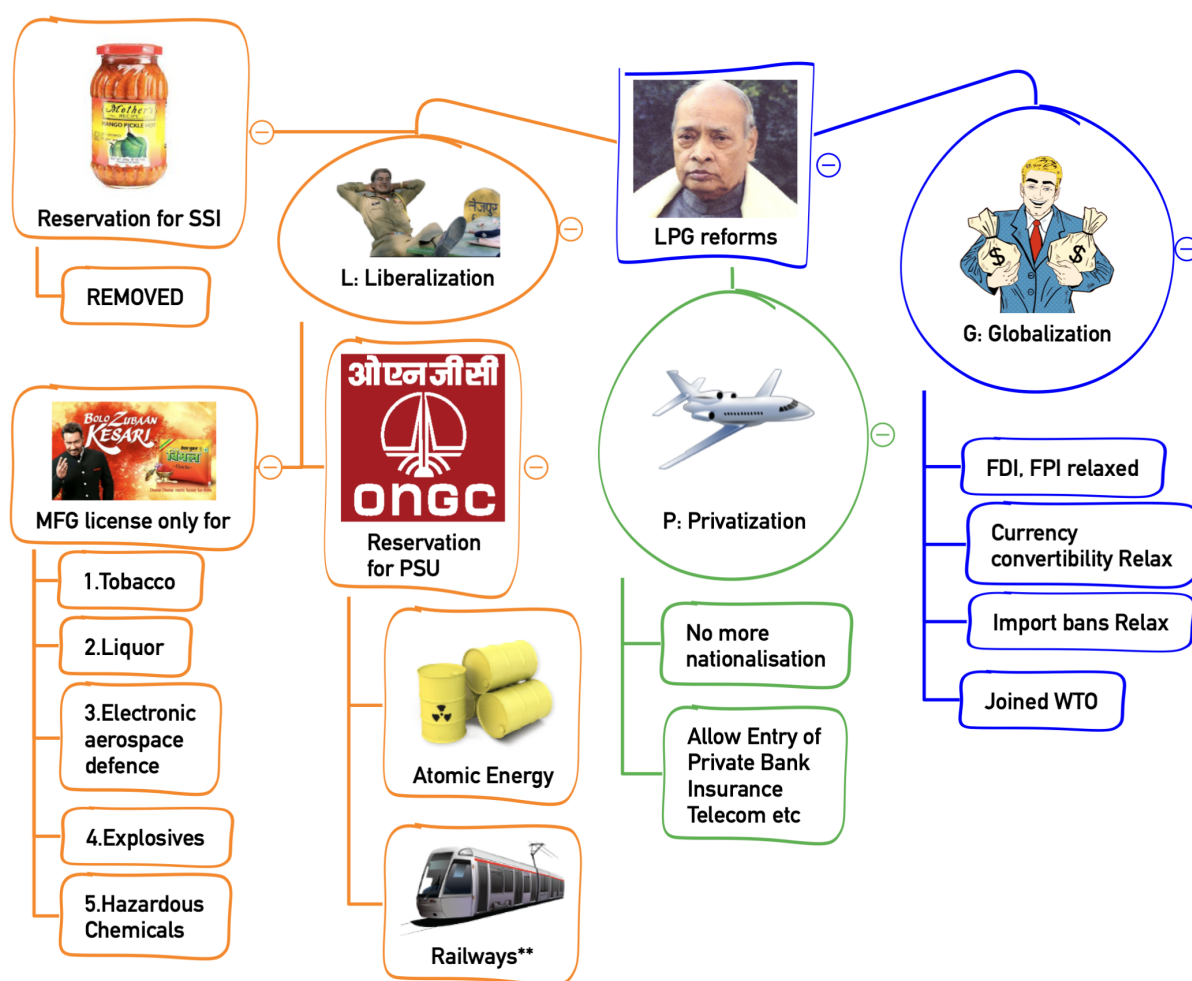
41 **MFG & SERVICES: INDUSTRIAL POLICY AND LPG REFORMS**

1948	1 st industrial policy by India's Minister for industries Shyama Prasad Mukherjee.
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1956	⇒ Industrial Policy Resolution (औद्योगिक नीति संकल्प). It focused on public sector led heavy industries (Oil, mining, shipbuilding, steel, chemicals, machinery manufacturing etc). सार्वजनिक क्षेत्र के उपक्रमों पर जोर दिया गया, क्योंकि नेहरू को लगा था कि रोज़गार सृजन और आत्मनिर्भरता के लिए यही ज़रूरी है ⇒ PM Nehru presumed this will help in 1) employment generation 2) self reliance 3) provide raw material, intermediate goods and machinery to help other industries to produce consumer goods.
1991	BoP crisis forces PM Narsimha Rao (& FM Manmohan Singh) to launch New Industrial Policy with LPG reforms.(BoP crisis- More in Pillar#3A)
Post-LPG	The contribution of mfg and service sector in India's GDP & employment increased. More in Pill#4C: GDP handout. (विनिर्माण और सेवा क्षेत्र की भारत के GDP और रोज़गार में हिस्सेदारी उदारीकरण के सुधारों के बाद बढ़ी है)

41.1 LIBERALIZATION, PRIVATIZATION AND GLOBALIZATION?





41.1.1 🏳️🌈 Liberalization: उदारीकरण

Means the withdrawal of controls and regulations by the government on the industries.

👤👩 Till 1991	👤 After LPG-reforms
Ministerial interference in the day2day functioning of CPSEs → fall in professionalism and efficiency. (सरकारी कंपनियों के दैनिक कार्यों में मंत्री की दखल के चलते कार्य क्षमता में गिरावट)	Govt. signed memorandum of understanding (MoUs: समझौता ज्ञापन) with CPSEs granting them operational freedom through 'Ratna' status. (📄 Pillar#2 → Disinvestment)
- Mandatory for any private individual to obtain license to start any industrial activity. - Even on licensed industries, govt. would impose 'production quota' (e.g. not more than 'x' number of telephones or 'y' number of scooters be produced.) Government would appoint inspectors to check the compliance. Result? Delays, corruption, No ease of doing business. कोई भी उत्पादन करने से पहले ठेका लाइसेंस लेना जरूरी. उत्पादन की मात्रा पर सरकारी कोटा= भ्रष्टाचार, व्यापार करने में कोई आसानी नहीं।	Production quota & Inspector was abolished. Licenses required only for a selected number of industries. Namely, 1. Alcoholic drinks (शराब मदिरा) 2. Tobacco products (तम्बाकू उत्पाद) 3. Electronic aerospace and Defence equipment 4. Industrial explosives, gun powder, nitrocellulose and matchsticks; (दियासलाई) 5. Hazardous chemicals: Hydrocyanic acid, Phosgene, Isocyanates & their derivatives. (जोखिमपूर्ण रसायन) For remaining sectors, a private entrepreneur can start the business by simplifying an Industrial Entrepreneur Memorandum (IEM: उद्यमी ज्ञापन) with Commerce Ministry (except for the industries reserved for public sector). The purpose of IEM is merely to collect data about investment, employment and industrial activities.
The big corporates were not allowed to enter in the sectors reserved for the Small Scale Industries (SSI) / MSME. e.g. pickles & chutneys, mustard oil, groundnut oil, exercise books and registers, wax candles, glass bangles, steel almirah etc.	Govt gradually shrunk this list. By 2015, no item was reserved for SSI/MSME industries. पहले कई क्षेत्रों को लघु उद्योगों के लिए आरक्षित किया गया था बड़ी कंपनियों को वहां आने की मनाई थी. धीरे-धीरे उस आरक्षण सूची को हटाया गया

41.1.2 🏴‍☠️ → 🧑🏠 Privatization: निजीकरण

1. Allowing private sector to enter into the sectors which were previously reserved for public sector companies only, सार्वजनिक क्षेत्र के लिए आरक्षित उद्योगों में निजी क्षेत्र की कंपनियों को अनुमति देना
2. Converting public sector companies to private sector companies by reducing Government shareholding to below 50% (📄 Pillar#2 → Disinvestment)



Till 1991	After LPG-reforms
many of the industrial sectors were reserved for the public sector Industries only → no competition, lack of innovation. कई क्षेत्र सरकारी कंपनियों के लिए आरक्षित थे. निजी क्षेत्र के उद्यमियों को आने की मनाई। स्पर्धा और नवाचार की कमी	Only following industries are reserved for public sector undertakings 1. Atomic Energy (परमाणु ऊर्जा) 2. Railways (now even there private train operators allowed (More in 📄Pillar#5)
Government would nationalise private sector industries in the national interest such as banking, insurance, aviation. (निजी कंपनियों का राष्ट्रीयकरण)	- Stopped the practice of nationalisation. - Private sector companies were allowed in Banking, Insurance, aviation, telecom and other sectors. - राष्ट्रीयकरण की प्रक्रिया बंद की, और निजी कंपनियों को बैंकिंग बीमा उड्डयन दूरसंचार इत्यादि क्षेत्रों में अनुमति दी

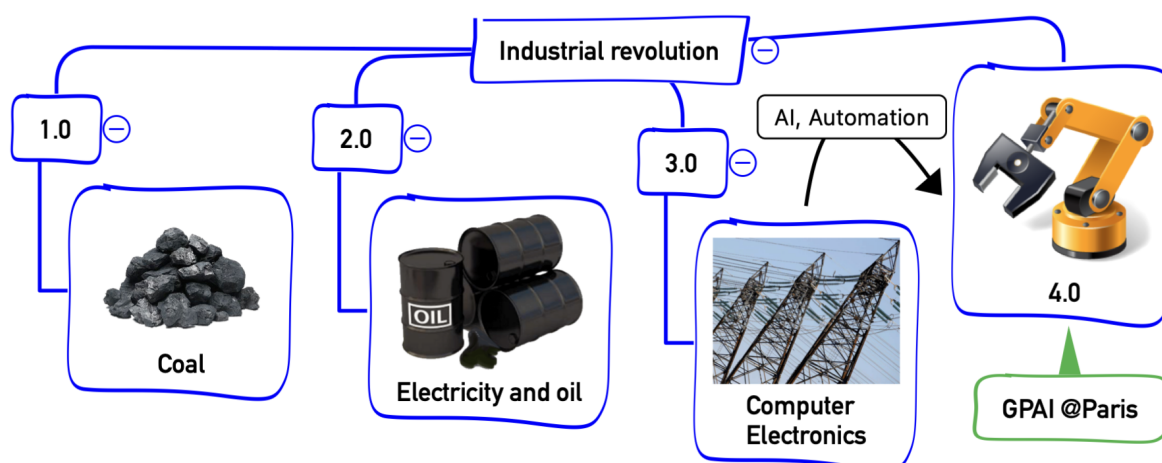
41.1.3 🌐 Globalization: वैश्वीकरण

Globalization is a process in which nations allow free flow of goods, services, labour, capital investment, technology, ideas and innovations. वस्तु, सेवाओं, श्रम, पूंजी निवेश, प्रौद्योगिकी, और विचारों नवाचारों के मुक्त प्रवाह की प्रक्रिया को वैश्वीकरण कहते हैं

🤖 Till 1991	👑 After LPG-reforms
Inward looking economy, Import substitution policy, variety of tariff & non tariff barriers on the imported goods & services → problem of smuggling. (आयात प्रतिस्थापन नीति, शुल्क और गैर शुल्क बाधाएँ, तस्करी)	India joined the WTO-regime, we gradually relaxed the tariff and non tariff barriers on the imported goods and services. (Ref: 📄Pillar#3B)
Very strict controls on currency convertibility, foreign companies, and foreign investment. (मुद्रा परिवर्तनीयता, विदेशी निवेश पर सख्त नियंत्रण/रोक)	Norms were relaxed (Ref: 📄Pillar#3A) (नियमों में ढील / छूट)

Further self study on the LPG reforms from NCERT class 11 ch.2 and 3. Mains Answer writing about LPG reforms: [youtube.com/user/TheMrunalPatel/search?query=rao](https://www.youtube.com/user/TheMrunalPatel/search?query=rao)

41.2 🤖 BEYOND LPG → TOWARDS 4TH INDUSTRIAL REVOLUTION





Timelines (Approx.)	Industrial revolutions & their major components
1.0 (1800 onwards)	Powered by coal, iron machines and factories, railways, steamships and telegraph.
2.0 (1900 onwards)	Powered by Electricity, Oil, Motor-Vehicles, Planes, Telephone, TV, Cinema and radio.
3.0 (1980 onwards)	Electric and Hydrogen Powered Vehicles, Drones, Flexible Robots, 3D Printers and nanotechnology.
4.0 (latest buzzword from 2016's WEF-Davos summit onwards)	It further optimizes the computerization of Industrial revolution 3.0 using cloud computing, Artificial Intelligence (कृत्रिम बुद्धिमत्ता) and Internet of Things (IoT: e.g. using smartphone app to turn on AC before you arrive at home.)

- The 4th Industrial Revolution = automation of mfg processes through "smart factories" where cyber-physical systems will make decisions, minimizing wastages, optimizing the use of energy and raw material. (चौथी औद्योगिक क्रांति = स्मार्ट कारखानों में विनिर्माण, ऊर्जा और कच्चे माल के व्यय में कमी)
- Germany, France, China, USA etc. have already launched government funded programs
- 2017: Commerce ministry set up a taskforce on AI for India's economic transformation under **Dr. V. Kamakoti**. 2018: Defense ministry set up a **taskforce** on AI for national security under **N. Chandrasekharan** of Tata Sons. (इस मामले पर सरकार द्वारा विभिन्न समितियों का भी गठन हुआ है)
- 2018-Budget gave ₹100 crore to Department of Science & Technology for a mission on cyber physical systems. NITI Ayog working on National Artificial Intelligence Mission.
- 2019-Budget announced a National Programme on '**Artificial Intelligence**'.

41.2.1 🤖👉 GPAI – the new GANG for A.I. (2020-June)

- ⇒ Global Partnership on Artificial Intelligence (GPAI: आर्टिफिशियल इंटेलिजेंस पर वैश्विक भागीदारी).
- ⇒ **Founding members?** India, US, the UK, EU, Australia, Canada, France, Germany, Italy, Japan, Mexico, New Zealand, Republic of Korea, Singapore (भारत इस संस्था का एक स्थापक सदस्य है)
- ⇒ **HQ/Secretariat @Paris**, France. Supported by GPAI will be supported by a Secretariat, to be hosted by Organization for Economic Cooperation and Development (OECD).
- ⇒ GPAI annual summits: 2024-Serbia, 2023-New Delhi, 2022:Tokyo, 2021:Paris.
- ⇒ For more AI related summits (Ref: Pillar#3C)

41.2.2 🤖 AI Kosha & AI Compute Portal by MEITY (2025)

- Boss? Ministry of Electronics & IT
- AI Compute Portal gives access to 10,000+ GPUs to startups, researchers, & companies.
- AI Kosha = will provide the tools to turn your AI-related ideas into meaningful impact

41.2.3 🤖 Beyond LPG → 4th Industrial Revolution → New Industrial Policy

1991: Our last industrial policy was made. 2017: **Commerce ministry** began formulating a New industrial policy for India focusing on the Fourth Industrial Revolution with six thematic areas viz.

- 1) Technology & Innovation: Govt to provide incentives for artificial intelligence, internet of things, and robotics.
- 2) Manufacturing & MSME,
- 3) Ease of Doing Business



- 4) Infrastructure & Investment
- 5) Trade & Fiscal Policy
- 6) Skills & Employability for Future

2024: This policy is awaiting cabinet approval. (अभी अंतिम अनुमति नहीं मिली)

41.2.4 🤖 4th Industrial Revolution → Samarth Udyog Bharat 4.0

Boss? Ministry of Heavy Industries & Public Enterprises → Department of Heavy Industries (भारी उद्योग विभाग) → to propagate technological solutions to Indian manufacturing units to make them ready for Industry 4.0 by 2025.

- **How?** Awareness generation, demo centres, training, networking between industry and academia, international corporation. (कंपनियों और शैक्षणिक संस्थाओं के बीच मेलजोल बढ़ाना)
- **Related?** This department is also responsible for the National Capital Goods Policy 2016, to ↑ domestic production of textile machinery, Earth moving and mining machinery, printing machinery etc. (राष्ट्रीय पूंजीगत माल नीति) **Sidenote:** Textile Ministry' SAMARTH scheme= skill development in textile sector.
- 2023: Hyderabad to have India's first Centre for the Fourth Industrial Revolution (C4IR) on healthcare & life sciences, with help of World Economic Forum.

41.2.5 🤖 Industry 5.0

Industry 5.0 does not replace Industry 4.0 but supplements and expands it. (पाँचवीं क्रांति चौथी को बदलेगी नहीं, उसकी पूरक बनेगी।)

4.0	5.0
economic value : focused on efficiency and productivity of an industry.	societal value: focused on contribution of industry to society.
worker well-being is not a priority	wellbeing of the worker is a priority
Focused more on robots & automation.	Focus on human-robot collaboration (called "cobot")
sustainability ignored.	mindful consumption of earth's resources.

41.3 🏢🔄🌱 CIRCULAR ECONOMY (परिक्रामी अर्थव्यवस्था)

- ✓ **(Definition)** A circular economy is an alternative to a traditional linear economy (make, use, dispose). In circular economy, resources are kept in use for as long as possible, the maximum value is extracted from them, and ultimately waste is recovered and regenerated in the end. पारंपरिक-रैखिक-अर्थव्यवस्था से विपरीत यहाँ परिक्रामी-अर्थव्यवस्था में संसाधनों के पुनर्नवीनीकरण पर ज्यादा ध्यान दिया जाता है।
- ✓ **(Origin)** 2019: NITI Aayog proposed 'Circular Economy and resources efficiency in India'.
- ✓ **(DATA)** Circular Economy in EU is expected to create savings of €600 billion for EU businesses, creation of additional 580,000 jobs and reduction of carbon emissions by 450 million tonnes by 2030. In India it can generate 1.4 crore jobs in next 5-7 years. रोजगार सृजन में मदद

41.3.1 🏢 Circular Economy: Business Models – ref Mains HDT

Shifted to Mains.

MCQ. Statement I: Circular economy reduces the emissions of greenhouse gases. (IAS-Pre'25)

Statement II: Circular economy reduces the use of raw materials as inputs.

Statement III: Circular economy reduces wastage in the production process.



- Codes: (a) Both St.II and St.III are correct and both of them explain St.I
 (b) Both St.II and St.III are correct but only one of them explains St.I
 (c) Only one of the Statements II and III is correct and that explains St.I
 (d) Neither St.II nor St.III is correct

41.3.2 Circular Economy: Right to Repair Portal (2022)

- ⇒ MINISTRY OF CONSUMER AFFAIRS opened the right to repair portal.
<https://righttorepairindia.gov.in/>
 ⇒ Companies will have to compulsorily the upload the repair manuals. so that consumers can get product repaired by themselves or by a third party, rather than depending on the manufacturers.
 ⇒ will help in reducing the generation of electronic waste, environment, conservation, promotion of circular economy, etc.
 ⇒ Initially, portal will cover mobile phones, electronic, consumer durables, automobile and farming equipment.
 ⇒ Such right already available in Europe and western countries. ('मरम्मत का अधिकार')

41.3.3 Circular Economy: India Plastics Pact (IPP) 2021

- Basically Indian companies make promises for developing circular economy for Plastic products.
 Boss? World-Wide Fund for Nature-India (WWF) and Confederation of Indian Industry (CII)

41.3.4 Mission "LiFE" / Lifestyle for Environment

- (Origin) 2021: PM Modi first spoke about it at UN Climate Change Conference (UNFCCC COP26) in Glasgow, United Kingdom.
- 2022: PM Modi launched it at the Statue of Unity in Gujarat.
- To change our everyday lifestyle to protect the environment. e.g. not using plastic bag, plastic straws, turnoff idle watertap/AC, turnoff idle car engine at red signal etc.
- Concept of 'Reduce, Reuse and Recycle'

41.3.5 Orange economy / Creator Economy (केसरी/सर्जक अर्थव्यवस्था)

- Means economic activities that leverage creativity, culture, and intellectual property to generate wealth and jobs. e.g. Youtubers, Tiktokers, Reel-makers, influencers etc.
- Ministry of Information & Broadcasting held WAVES 2025 at Mumbai for them.

41.3.6 Connector economy- keep good reln. With USA+China (योजक अर्थव्यवस्था)

- 5 countries (Vietnam, Indonesia, Mexico, Poland, and Morocco) have been dubbed "economic connectors" by Bloomberg Economics Article.
- These countries have calibrated foreign policies to keep friendship with both United States and China, and so these 5 nations able leverage the friendshoring and nearshoring to attract more investment from both USA and China.
- RBI says India too can become a "connector economy"/key intermediary in sectors like technology, digital services, and pharmaceuticals.

41.3.7 NIGHT-TIME economy (रात्रि समय की अर्थव्यवस्था)

- NTE is defined as businesses and activities between 6 pm and 6 am.
- Hyderabad's NTE is estimated at Rs 8,500 crore (2025).
- service sector plays a key role in Night time economy.



41.4 🧑🔧 MFG POLICY → NATIONAL MFG POLICY 2011: राष्ट्रीय उत्पादन नीति

Boss? Commerce ministry → DIPP / DPIIT. (वाणिज्य मंत्रालय)

- **Target?** To ↑ manufacturing's share in GDP to 25% by 2022, & create 100 million jobs.
- For this target, Govt will pursue ease of doing business, skill upgradation for young workforce, funding for innovation & green Technologies (व्यवसाय करने में आसानी, युवा के लिए कौशल, नवाचार और हरित प्रौद्योगिकी के लिए वित्त पोषण)
- Creating National Investment and Manufacturing Zone (NIMZ).

41.4.1 🏭 Mfg Infrastructure → NIMZ, राष्ट्रीय उत्पादन और निवेश क्षेत्र

- NIMZ is an 'industrial township' containing Special Economic Zones, Industrial Parks & Warehousing Zones, Export Oriented Units etc.
- NIMZ are given additional support by government e.g.
 - Tax incentives, Relaxed norms for FDI approval (करों, विदेशी प्रत्यक्ष निवेश में रियायत)
 - Providing Rail, Road, energy, communication connectivity, schools-hospitals & other social infrastructure for the workers, etc. in a time bound manner. (संचार परिवहन की बुनियादी सुविधाएँ)
 - relaxations in the labour laws e.g. women allowed to work in night shift, easier hiring-firing norms: काम पर रखने के - निकालने के आसान मानदंड.
- NIMZ will be treated as **self-governing bodies under Article 243(Q-c)** of the Constitution. So the traditional norms related to Municipality, its functions, election of ward members etc. will not apply for this township area. (नगरपालिका के पारंपरिक नियम यहां पर नहीं लागू होते)
- We have more than 15 NIMZ such as Ahmedabad-Dholera Investment Region@Gujarat, Dadri-Noida-Ghaziabad investment Region@Uttar Pradesh, Manesar-Bawal Investment Region@Haryana etc.
- Previously, Delhi Mumbai Industrial Corridor had setup Special Investment Regions (SIR) in its region. They're converted into NIMZ.
- 2017: Commerce ministry launched **Industrial Information System (IIS)**, a GIS-enabled database of industrial areas across the country. This helps entrepreneurs to find out raw material, distance from key transport hubs etc.

41.4.2 🏭 Mfg Infrastructure → Industrial Corridors (औद्योगिक गलियारे)

Boss? Commerce Ministry → National Industrial Corridor Development and Implementation Trust (NICDIT).

- They provide funding for industrial and commercial areas, townships, Warehousing and container depots, Rental Factories, Social infrastructure like- schools, technical institutions, hospitals etc, Housing and Residential Complexes; roads, railways, airports, Oil and gas pipeline etc. (उद्योग, परिवहन, ऊर्जा से लेकर मजदूरों के बच्चों के लिए शिक्षा की तमाम बुनियादी अवसंरचनाएं उपलब्ध)

Notable ongoing/ proposed industrial corridors of India:



- **Delhi Mumbai Industrial Corridor:** (DMIC-2006 onwards) passing through Uttar Pradesh, Haryana, Rajasthan, Madhya Pradesh, Gujarat and Maharashtra. It's implemented by a Special purpose vehicle (SPV: company) with ownership: 49% NICDIT, 26% Japanese Bank for International Cooperation (JICA) and rest with India's Public Sector Financial Intermediaries.
- **Other notable corridors:** Amritsar Kolkata Industrial Corridor, Chennai Bengaluru Industrial Corridor, Bengaluru Mumbai Economic Corridor, Vizag –Chennai Industrial Corridor, East Coast Economic Corridor from Kolkata to Chennai, Odisha Economic Corridor etc.
- 2017: Commerce Ministry approved **Defence Park** at Pallakad, Kerala.
- **2018:** Two Defence Industrial Production Corridors: 1) Tamil Nadu 2) Uttar Pradesh.

Related? infrastructure, National Investment & Infrastructure Fund (NIIF) etc. in **Pillar#5**

41.4.3 NICDP → 12 Industrial nodes/cities/parks

- Boss? Commerce Ministry
- 🛒 Budget-2024-July: announced setting up 12 new Industrial nodes/cities/parks under the National Industrial Corridor Development Programme.
- These parks will be located in Khurpia in Uttarakhand, Rajpura-Patiala in Punjab, Dighi in, Maharashtra, Palakkad in Kerala, Agra and Prayagraj in UP, Gaya in Bihar, Zaheerabad in Telangana, Orvakal and Koppurthy in AP and Jodhpur-Pali in Rajasthan.
- These parks will act as catalysts for achieving \$2 trillion in exports by 2030

41.4.4 🍷 Staple Thesis- natural resources role in Economic growth

- Theory by 2 Canadian scholars, Harold Innis and W.A. Mackintosh.
- A country grows depending on abundance of natural resources. (जिस देश के पास ज़्यादा प्राकृतिक संसाधन हैं वो तेज़ी से आर्थिक वृद्धि कर सकता है)
- e.g. growth of Canada (Wood, Coal, Uranium, Metals), S.Arabia (oil).
- Eco Survey India doesn't have so much natural resources to grow like Canada / S.Arabia. So, we've to focus on low-skill manufacturing using "Make in India" scheme.

41.5 🤖🔧🦁 MAKE IN INDIA: HOW?

Nodal? Commerce ministry. (वाणिज्य मंत्रालय)

Objective? Promote India as global hub for manufacturing goods & services, design and innovation in 25 sectors. Later it was expanded to total 27 sectors. Basically it focuses:

- ✓ FDI norms relaxed for facilitating investment (निवेश की सुविधा)
- ✓ fostering innovation, research development (R&D) (नवाचार को बढ़ावा देना)
- ✓ building infrastructure (बुनियादी अवसंरचना)
- ✓ making it easy to do business by relaxing the factory-labour-tax laws & administrative procedures (व्यापार करने में आसानी प्रदान करना)
- ✓ enhancing skill development (कौशल विकास को बढ़ाना)

AB CD ? MCQ. Find correct statements about 'Make in India' initiative? (CDS2019-II)

(1) It was launched in the year 2018. (2) Its objective is to foster innovation

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2



41.6 MAKE IN INDIA 2.0

- ⇒ 2014: Make in India 1.0 → 2022: Make in India phase 2.0 started,
 ⇒ targets: investment of ₹3 lakh crore in 5 years and jobs for 60 lakh people.
 ⇒ Make in India 2.0 is covering following sectors: 15 mfg + 12 services = 27 sectors

Mfg	Services
1. Aerospace and Defence 2. Automotive and Auto Components 3. Pharmaceuticals and Medical Devices 4. Bio-Technology, 5. Capital Goods 6. Textile and Apparels 7. Chemicals and Petro chemicals 8. Electronics System Design and Manufacturing (ESDM) 9. Leather & Footwear 10. Food Processing 11. Gems and Jewellery 12. Shipping 13. Railways 14. Construction 15. New and Renewable Energy	1. Information Technology & Information Technology enabled Services (IT & ITes) 2. Tourism and Hospitality Services 3. Medical Value Travel 4. Transport and Logistics Services 5. Accounting and Finance Services 6. Audio Visual Services 7. Legal Services, 8. Communication Services 9. Construction and Engineering Services 10. Environmental Services 11. Financial Services 12. Education Services

Additionally, Make in India 2.0 is also covering 24 sub-sectors as follows:

Furniture	Air-Conditioners	Leather and Footwear	Ready-to-Eat
Fisheries	Agri Produce	Auto Components	Aluminium
Electronics	Agrochemicals	Steel	Textile
EV Components & Integrated Circuits	Ethanol	Ceramics	Set-Top Boxes
Robotics	Televisions	Close Circuit Cameras	Toys
Drones	Medical Devices	Sporting Goods	Gym Equipments

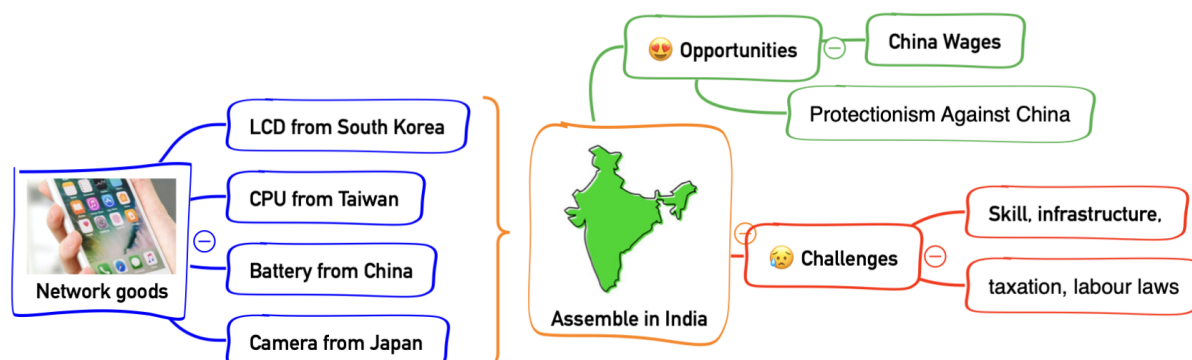
41.7 🧑🔧🦁📺🔌 MFG: ASSEMBLE IN INDIA (असेंबल इन इंडिया)

📖 ES20 Vol1Ch5 suggested we move from 'Make in India' towards Assemble in India

	Make in India	Assemble in India
What?	textiles, clothing, footwear, toys (कपड़े वस्त्र जूते खिलौने)	Products of Apple, Samsung, Sony, Nike, Adidas etc.
How?	Traditional Unskilled Labour पारंपरिक अकुशल श्रमिक। अनपढ़ से भी काम चल जाए	Semi-skilled labour आंशिक रूप से कुशल श्रमिकों के द्वारा



41.7.1 🧠🔧👤: Assemble in India → “Network products”



- (Definition) Network Products: Their production occurs across Global Value Chains (GVCs) operated by Multinational Companies (MNCs) such as Apple, Samsung, Sony, Nike, Adidas etc. (बहुराष्ट्रीय निगमों द्वारा वैश्विक मूल्य श्रृंखला के द्वारा “नेटवर्क उत्पादों” को बनाया जाता)
- ⇒ Product is designed by their Headquarter (HQ) located in a rich country @US/EU/Japan. But Product assembly/manufacturing in done low wage countries.
- ⇒ Further, these products are not produced from start to finish within a single country. (अलग-अलग देशों में विशेषज्ञता के अनुसार उत्पादन किया जाता है)
- ⇒ Instead, countries specialize in particular stages of production sequence. E.g. Iphone:
- ⇒ LCD screen @South Korea + Processor @Taiwan + WiFi chip @Malaysia
- ⇒ → above parts are finally assembled in Foxconn Factory in China.
- ⇒ 2020-July: Apple's contract manufacturer Foxconn started iPhone 11 mfg in its **Chennai** factory.
- (Due to the USA-China trade war, companies are shifting the factories away from China. Ref Pillar#3B for trade war / protectionism)

41.7.2 🧠🔧👤: Assemble in India → how will it benefit India?

IF India joins the assembly chain of Network Products (नेटवर्क उत्पाद) esp. computers, TV, mobile, electronics (विद्युत उपस्कर), road-vehicles (सड़क वाहन), then...

Assemble in India	2025	2030
New Jobs in India रोजगार सृजन →	4 cr	8 cr ↑
India's share in World Export वैश्विक निर्यात में भागीदारी →	3.5%	6% ↑

41.7.3 🧠🔧👤: Production Linked Incentive Scheme (PLI: उत्पादन आधारित प्रोत्साहन)

- ⇒ 2020: PLI scheme aims to ↑ mfg of automobiles, pharma, mobiles, textile etc. sectors
- ⇒ By giving them conditional 4-6% subsidy on incremental sales of goods manufactured in India, against their production in base year (वर्ष 2019 के अनुपात में, भारत में निर्मित कंपनी के उत्पादन, की सालाना बिक्री, कितनी बढ़ी, उस हिसाब से सशर्त सब्सिडी/लाभ दी जाएगी।)
- ⇒ Note: Drone industry is exception- they'll be given **20% subsidy** on sale of drones.

41.7.4 🧠🔧👤: PLI 1.0 Scheme ke 13 Sectors

Sr	Mfg	Approving Org	₹
1,2	- 1) Automobiles (But scheme not given for petrol/diesel/CNG type Internal Combustion Engine (ICE)	Dept of Heavy Industries (under Ministry of Heavy Industries)	More than 57,000 cr



Sr	Mfg	Approving Org	₹
	vehicles. Focus is on e-vehicles) - 2) Auto components (e.g. tire, engine etc)		
3	Drones and Drone components	Ministry of Civil Aviation	120 cr
4	Advanced Chemistry Cell (ACC) Battery- used in consumer electronics, electric vehicles, and renewable energy.	NITI Aayog and Department of Heavy Industries	18100 cr
5,6,7	5) Active Pharmaceutical ingredients (API) / raw material pharma 6) Pharmaceutical Drugs 7) Medical devices (e.g. Xray, Stent)	Department of Pharmaceuticals under Ministry of Chemical	15000 cr
8	Telecom & Networking (दूरसंचार के उपकरण) e.g. Mobile handsets	Department of Telecom (under Communication ministry)	12195 cr
9	Food Products- Veg, Non Veg, dairy- ghee/cheese etc are included (खाद्य पदार्थ)	Ministry of Food Processing	10900 cr
10	Textile Products: Man Made Fibre (MMF) and technical textiles e.g. shoelaces, parachutes etc	Ministry of Textiles	10683 cr
11	Specialty Steel (खास किस्म के स्टील उत्पाद)	Ministry of Steel	6322 cr
12	White Goods - domestic / home appliances but only two mentioned for now- ACs & LED	Department for Promotion of Industry and Internal Trade (DPIIT) under Commerce Ministry	6238 cr
13	Electronic/Technology Products	Ministry of Electronics and Information Technology	5000 cr
14	Solar Photovoltaic Modules	Ministry of New and Renewable Energy	4500 cr
		Total	₹1.97 Lcr

Total: ₹1.97 lakh crores worth of subsidy will be provided. Presently 14 sectors. Later more sectors may be added / Government may increase scheme funds....**so above table's numbers may change.**
(इसमें अलग अलग समय पर अन्य क्षेत्रों को जोड़ा जाता है और सब्सिडी की रकम में बदलाव किए जाते हैं लेकिन बहुत बारीकी से PHD करने में फ़ायदा कम, वक्त की बर्बादी ज़्यादा है।)

41.7.5 PLI 2.0 for IT Hardware (2023)

- **Boss?** Ministry of Electronics & IT (MEITY)
- **Products?** (i) Laptops (ii) Tablets (iii) All-in-One PCs (iv) Servers, semiconductor, integrated chips etc.
- **Benefit?** 5% incentive on incremental sale of IT hardware made in India.
- **Tenure?** 6 years from registration.
- existing IT manufacturers who registered in PLI 1.0 → their accounts upgraded into 2.0

41.7.6 🏭📱👤👉 - PLI Scheme: Benefits?

⇒ ↓ imports, ↑ exports, ↑ Jobs, GDP ↑ (आयात में कमी, निर्यात में वृद्धि, रोज़गार सृजन)



- ⇒ Eco Survey-2023: India's share in global export is **2.2% (2021)**. PLI can help improving it.
- ⇒ Scheme will encourage Telecom mfg companies like Foxconn, Wistron and Pegatron, who assemble iPhones for Apple companies- to shift the base of operation from China to India.
- ⇒ 2023: Tata bought Wistron's factory near Bengaluru, so now **Tata will make iPhones** for Apple.
- ⇒ Mobile handset sector alone is likely to contribute >₹10 LCR of GDP, and 60% of these mobiles will be exported, 2 lakh direct jobs will be created, 6 lakh indirect jobs will be created e.g. those in transport, packaging material, advertisement etc. of those mobiles.
- ⇒ Automobile will create additional 7.5 lakh jobs, Drone industry = 10,000 new jobs, Similar benefits in other sectors mentioned in the above table. (सकल घरेलू उत्पाद, निर्यात तथा रोजगार में बढ़ोतरी)

41.7.7 📱🤖 PLI lapsed but then again renewed? (2025)

Base year	2019-20. But to some companies given option to select 2020-21 as base year, if they want. Who are those Companies? Ans. Not IMP.
Scheme Validity	Stopped accepting new applications in 2025-March. 2025-Sept- again started accepting new applications for some sectors like Man-Made Fibre and Technical Textiles. So what's the final status? Ans wait for budget-2026 to give clarity.

Reasons for stopping the scheme?

- While PLI improved the production of pharmaceuticals and mobile-phone manufacturing,
- But, failed to increase mfg sector's contribution to GDP from 17% to 25%
- Many firms failed to kickstart production / did not achieve the target. (लक्ष्य प्राप्ति में असफल)
- Indian steel, textiles and solar panel companies are unable to compete with Chinese companies in the global market, despite this joining scheme. (चीनी माल से टक्कर नहीं ले पाए)

On the other hand, Industrialists complain excessive delays by the bureaucrats in subsidy-release.

AB CD MCQ. (Prelims-2023) **Statement-I: India accounts for 3.2% of global exports of goods.**

Statement-II: Many local companies and some foreign companies operating in India have taken advantage of India's 'Production-linked Incentive' scheme.

- (a) Both I and II are correct and statement II is the correct explanation for statement I
 (b) Both I and II are correct and statement II is not the correct explanation for statement I
 (c) I is correct but II is incorrect (d) I is incorrect but II is correct

Hint: India accounts for 2.2% as per 📖 ES23, so st1 wrong.

41.7.8 Mfg: electric vehicles: FAME & PMP Schemes

(Ref: Pillar#5 infrastructure - subtopic: transport)

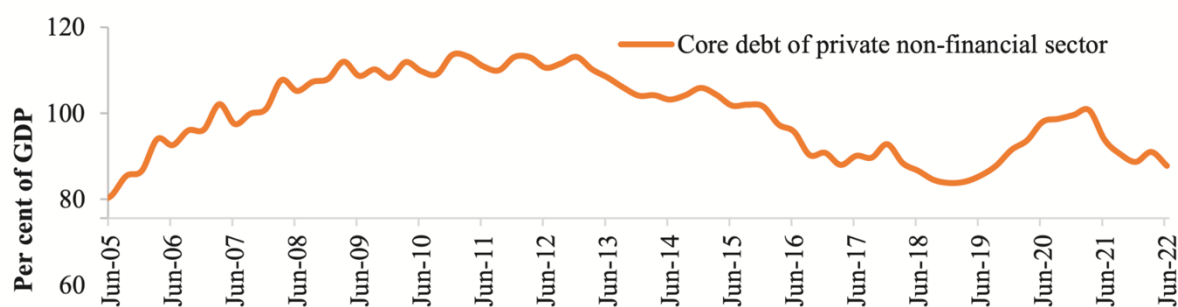
41.7.9 🏭 National Manufacturing Mission in 🎒 Budget-2025:

- To cover small, medium and large industries for "Make in India"
- Focus on 5 focal areas i.e.(1) ease and cost of doing business; (2) future ready workforce; (3) MSME sector; (4) technology; (5) quality products.
- will also support Clean Tech Mfg = solar PV cells, EV batteries, motors and controllers, electrolyzers, wind turbines, very high voltage transmission equipment and grid scale batteries. (स्वच्छ प्रौद्योगिकी विनिर्माण I)



41.7.10 ⚙️ Mfg: Balancesheet Deleveraging completed as per 📊 ES23

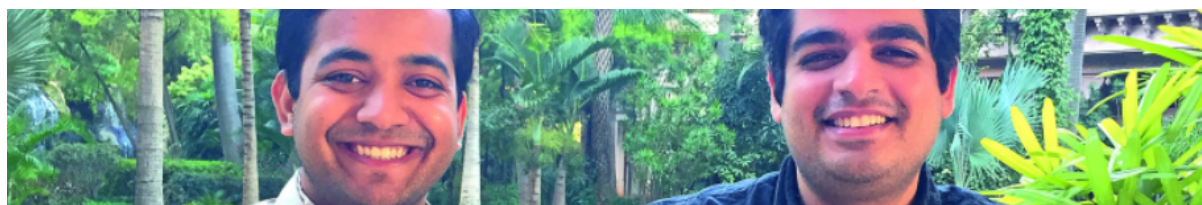
- ⇒ Deleveraging is the process of reducing debt. (डिलेवरेजिंग= ऋण को कम करने की प्रक्रिया है।)
- ⇒ It can be done by paying off / restructuring loans, finding fresh investors/loans to restart business, auctioning/selling assets, increasing profits etc. (पुराने लोन चुका कर, नए निवेशक ढूँढ कर, संपत्तियों की नीलामी आदि से डिलेवरेजिंग किया जा सकता है)
- ⇒ 📊 ES23: Government reforms such as IBC Code & Bad Bank (Ref: Pillar#1B2), ECLGS Scheme (Ref: Pillar#1D3), PLI Scheme & other schemes giving subsidies/taxcuts etc.= helped deleveraging Indian companies. (सरकार ने जो अलग-अलग कानून और योजनाएं बनाई हैं उनसे ये मदद मिली है।)



⇒ this is also evident from following indicators:

Ratio	2020	2022
Interest Coverage Ratio (Ref: Pillar#1B2)	3	5 (Bigger number is better)
Debt to Equity Ratio (Ref: Pillar#1C)	0.8	0.4 (Smaller number is better)

41.8 🌱👤 MFG & SERVICES → STARTUP INDIA (2016)



Nodal? Commerce Ministry.

Definition	New definition after 2019-Feb
Startup company is a company not older than ---	10 years
Doesn't have annual turnover more than _ _ _	₹100 cr
Must be working towards innovation & development of goods / services	Yes

- Under Startup India (स्टार्टअप इंडिया) initiative such startup companies are given 3 years exemption from Income Tax, Corporation Tax. (आयकर तथा निगम कर - तीन वर्षों तक छुट्टी)
- Self-certification permitted with respect to (WRT) EPFO act, ESIC Act etc. (स्व प्रमाणीकरण की हमने इन कानूनों का पालन किया है। सरकारी अफसर जांच के नाम पे परेशान नहीं करेंगे)
- Relaxed norms in public procurement. E.g. if Govt tender says 'we are hiring a web development company to make a site for Govt department, but it must have x years experience and y crores of



turnover.. - These “x” and “y” requirement would be kept relaxed for a start-up company. (सरकारी खरीद के दौरान पात्रता के नियमों में छूट)

- Relaxed norms for exit i.e. winding up the companies. (फैक्ट्री बंद करने की कानूनी प्रक्रिया में आसानी)
- Govt established "**Fund of Funds for Startups**" (FFS) in Commerce Ministry. This fund will provide money to other startup related schemes. (सरकार ने निधियों की निधि बनायी है)
- Industry-academia partnership, incubation and hand holding, Mobile app and Portal, Legal and Technical Support for filing the patent, lower / zero fees for patent applications etc.
- **Foreign Venture Capital Investors (FVCI)** given certain technical relaxations by Income Tax Dept (for TDS/ tax withholding) and Reserve Bank of India (for currency convertibility).
- **Startup India Seed Fund Scheme (SISFS)**: By the Ministry of Commerce to provide financial assistance to 3600 startups from 1st April 2021 to next four years. (आर्थिक मदद/ शुरुआती पूंजी)
- **Prarambh Startup India International Summit 2021**: Indian Commerce ministry + BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) countries viz. Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka & Thailand.

41.8.1 🌱🦄 Startup: Unicorn Company

- 2013: Unicorn term was coined by Aileen Lee, a Venture capitalist. Unicorn is a mythical animal- looks like horse with a single horn. 🦄
- Unicorn Company = A startup company whose valuation is \$1 billion or higher.
- It must be a privately held company = means private limited company= its shares **not** available to public at large or traded in stock exchange yet. (says EconomicTimes)
- Swiggy, Byjus, Unacademy etc. Indian startups are in this list.

January 2022 →	India	China	USA
No. of Unicorn Startups	80+	300+	400+

AB CD MCQ. Which of the following statements about a 'unicorn' is/are correct? (EPFO-2023)

1. The term 'unicorn' refers to any startup that reaches the valuation of \$10 billion.
 2. Only a privately held startup can be a unicorn.
- Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

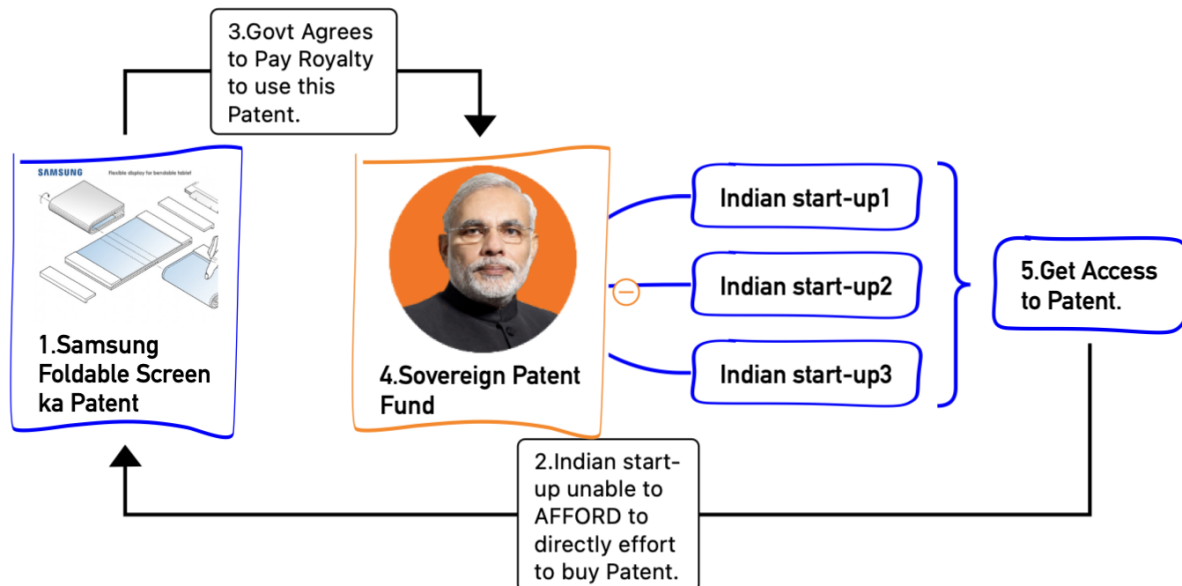
41.8.2 → Startup ☑ Network effect | Metcalf Rule Free Riders

Term	Meaning
Network effect	The more people who use a product or service, the more valuable it becomes for everyone involved. - e.g. Twitter / Facebook → more users → more companies want to show their advertisement → more ad-revenue for creators.
Metcalf's Law	basically similar to above "Network effect" for telecom companies. We will not go to exact rule as we are not preparing for the IES (Engineering) exam.
Free-riders	people who use a service without paying for it. This term is used in two context (1) in governance : people who don't pay any taxes and yet benefit from highways and public parks, etc.



(2) in **Startup/Biz**: e.g. Person sits in Starbucks Cafe for an hour, to use its free Wi-Fi & Air-conditioner, but does not buy any coffee.

41.9 🦁🔧 MFG POLICY → NATIONAL POLICY ON ELECTRONICS 2019



इलेक्ट्रॉनिक्स पर राष्ट्रीय नीति 2019 replaces the previous policy of 2012.

- **Boss?** Ministry of Electronics and Information Technology (MeitY).
- To make India a global hub for Electronics System Design and Manufacturing – (ESDM: इलेक्ट्रॉनिक्स प्रणाली रचना/सिस्टम डिजाइन और विनिर्माण), Government will do following: →
- Tax benefit, subsidies and other incentive for R&D, innovation, Training and skill development for 5G, Internet of Things (IoT), Artificial Intelligence (AI: कृत्रिम बुद्धिमत्ता), Machine Learning, Virtual Reality (VR), Drones, Robotics, Nano-based devices, Medical Electronic Devices, Automotive Electronics Industry, Strategic electronics for the defence sector etc.
- Sovereign Patent Fund (SPF: सार्वभौम पेटेंट निधि): Govt will buy Patents / Intellectual Property Rights (IPR) from the innovators / Corporate Companies → allow MSME industries to use those IPR for electronics manufacturing, without having to pay hefty royalties to original patent holder..
- **Targets for 2025?** Produce 100 crore units of mobile handsets & export 60 crores units out of that. Create 1 crore jobs.
- **SAMRIDH SCHEME:** MeitY scheme for helping Software Product related start-ups.
- **Meta resources** = are facilities that allow easier access to network-based resources in a defined subject area. e.g. electronic devices that helps you read e-books, audiobooks, smartwatches for GPS-tracking your cycling etc (नेटवर्क में स्थित संसाधनों को आसानी से इस्तेमाल किया जा सके → उसमें मदद करने वाली चीज़ को मेटा-संसाधन कहा जाता है। जैसे कि मोबाइल फ़ोन, स्मार्ट-घड़ी इत्यादि)
- 📦 ES23: Govt's target is US\$ 1 trillion digital economy by 2025.

41.9.1 🦁💰 Mfg → Electronics Development Fund (EDF: इलेक्ट्रॉनिकी विकास निधि)

- **Boss?** MeitY gave money to Canara bank's CANBANK Venture Capital Funds Ltd.



- 2015: EDF was set up as a “Fund of Funds” (बृहद निधि) → money is given to “Daughter Funds” (उप-निधिया) e.g. SEBI registered venture capital funds who are investing in electronics related startup companies.

41.9.2 🛠️💰 Mfg → Design Linked Incentive (DLI) for Semi-Conductor Chips

- MINISTRY of Electronics and Information Technology (MEITY) → Centre for Development of Advanced Computing (C-DAC) → design linked incentive (DLI) scheme.
- 🥰 Govt will give 4-6% subsidy to Indian company for semi-conductor chips, Integrated Circuits (ICs), Chipsets, etc. to ↓ reliance on Taiwan for Chips. (ताइवान से आयात कम करना पड़े)

41.9.3 🦊👮📘 Deregulation in semiconductor/electronics SEZ

BEFORE	After 2025 Reform
State govt had to first arrange minimum land area of 50 hectares to get Union government's approval to set up SEZ.	↓↓↓ reduced to 10 hectares for semiconductor/electronics SEZ (तो छोटे क्षेत्र में भी खोल सकते हैं)
factories in SEZ can do exports only. Not allowed to sell products in domestic market/ or need additional approvals for it.	factories in SEZ can sell products in domestic market after paying required taxes.

41.9.4 🦊 Semiconductors plants - Places in News -Sanand,Guj (2025)

- India's first commercial semiconductor chip to be assembled at Sanand, Gujarat- in company named CG Semi's OSAT facility. Outsourced Semiconductor Assembly and Test (OSAT)
- Govt approved four semiconductor plants in Odisha, Punjab, and Andhra.

41.9.5 🦊💻 → National Digital Communications Policy (2018)

Boss? Ministry of Communications → Dept of Telecom. Outdated for 2025-26 prelims so removed/compressed from HDT.

41.9.6 🦊💻 → National Policy on Software Products - 2019

- **Boss?** MEITY **Target-2025:** 10000 startups, 35 lakh jobs, 10% of India's GDP.

41.9.7 🖨️ Electronics & Startups Notable Schemes/Portals (2022)

Scheme	Description	Boss
TIDE 2.0	help startups in Internet of Things (IoT), AI, Block-chain, Robotics, etc.	MEITY
SAMRIDH	helping software startups	MEITY
GENESIS	help startups in small towns.	MEITY
SPECS	help manufacturing of Electronic Components and Semiconductors.	MEITY
MAARG Portal	DPIIT portal giving Mentorship, Advisory, Assistance to Startups	DPIIT
CGSS	Credit Guarantee Scheme for Startups. So bank/NBFC can pass their loan application faster.	DPIIT

Full forms for above table:

⇒ MEITY (Ministry of Electronics and Information Technology)

⇒ DPIIT (Department for Promotion of Industry and Internal Trade) under Commerce Ministry.



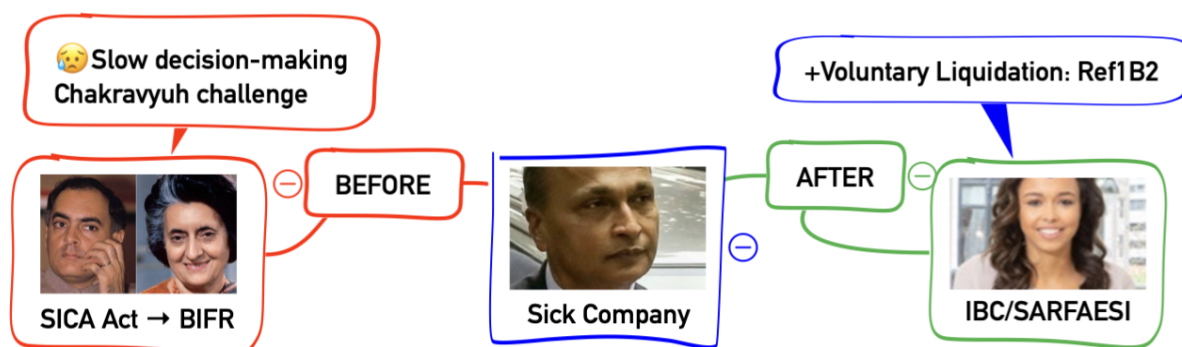
41.9.8 🦄 → Quantum Technology (क्वैंटम प्रौद्योगिकी) 2020

- ✓ Conventional computers process information in 'bits' or 1s and 0s.
- ✓ Quantum computers compute in 'qubits' (or quantum bits). They work on quantum mechanics principles related to how matter behaves on the atomic scale.
- ✓ Google's quantum computer 'Sycamore' claimed 'quantum supremacy' bcoz it finished a task in 200 seconds that would have taken a conventional supercomputer 10,000 years to complete.
- ✓ Applications? computing, communications, cyber security etc.
- ✓ 📁 Budget-2020: National Mission on Quantum Technologies for a period of 5 years.
- ✓ Related Topics: 5g, public data etc in Pillar#5: communication infrastructure.

41.10 🌱👤⚠️🧐 STARTUP CRITICISM / CHALLENGES (निंदा/आलोचना)

Shifted to Mains Handout. #Prelims-RAFTAAR

41.11 🌱👤 → 🧐 STARTUP → (SHUTDOWN) "EXIT" OF SICK INDUSTRIES



Sick industries: बीमार उद्योग in an entity that has accumulated more losses than its entire net worth (networth = assets minus liabilities).

Industrial sickness can be a result of (आंतरिक और बाह्य कारक)

⇒ **Internal** factors like mismanagement, workers low morale & strikes etc.

⇒ **External** factors like rising cost of energy & raw material, fall in product demand etc.

1985: PM Rajiv Gandhi in enacted **Sick Industrial Companies Act** → Statutory body in Finance Ministry → **Board for Industrial and Financial Reconstruction (BIFR)**.

⇒ BIFR would A) help the SICK industry with new funds or B) shut down the SICK industry on case to case basis.

⇒ Ideally, a sick industry should be liquidated so its labour and capital can be shifted to healthy companies. (आदर्श परिस्थितियों में तो बीमार उद्योग कि मजदूर और पूंजी स्वस्थ उद्योग की तरफ गमन करने चाहिए)

⇒ But, above bodies' decision making was very slow so sick companies will not quickly shut down, and continue to receive Government funding/support, as if Abhimanyu entered the "Chakravyuh" but never exits. So previous economic surveys used term 'Chakravyuh challenge'.

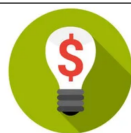
2016: PM Modi repealed **this Act & its statutory bodies**. Their pending cases referred to National Company Law Tribunal (NCLT). So now if a firm becomes sick then:

- IF **wilful defaulter** or incapable defaulter → **liquidation** under the SARFAESI Act



- ELSE I&B Code: IP will make a resolution plan within “x” number of days → if IP’s resolution plan is not agreeable to the lenders → liquidation.
 - If a startup company wants to (voluntarily) shut down, it can make application under I&B Code → IP will liquidate it within 90 days. This helps the entrepreneur to pull out his portion of capital (to start another startup = Ease of doing business).

42 MFG & SERVICES → INTELLECTUAL PROPERTY RIGHTS



⇒ WTO’s Trade-Related Aspects of Intellectual Property Rights (TRIPS-1995) protects following types of IPR (बौद्धिक संपदा अधिकार) : Copyright, Trademarks, Geographical Indications, Industrial Designs, Patents, Integrated Circuits & Trade Secret.

⇒  **World Boss?** UN specialized agency World Intellectual Property Organization (WIPO: HQ Geneva, Switzerland, विश्व बौद्धिक संपदा संगठन).

42.1.1 WIPO is known for

- 1) Global Innovation Index (वैश्विक नवाचार सूचकांक)
- 2) Marrakesh Treaty 2013 which requires nations to increasing accessibility of copyrighted books to Visually Challenged. India was first to ratify.
 - a. Further, Social Justice Ministry → Divyangjan Dept → launched ‘Sugamya Pustakalaya e-library’ for VH, in collaboration with Daisy Forum of India (an NGO) and Tata Consultancy Service (TCS).

42.1.2 IPR → Indian Laws

Year	Act	Nodal?
1952	Cinematograph Act	Ministry of Information and Broadcasting. Budget-2019 promised to amend it with anti-camcording provisions.
1957	Copyright Act	• Previously HRD (Education) ministry, now Commerce Ministry. • Copyright Office → Copyright Board → Intellectual Property Appellate Board (IPAB: बौद्धिक संपदा अपीलीय बोर्ड) • 2021: IPAB was abolished.
1970	Patents Act	Commerce Ministry’s Controller General of Patents, Designs and Trademarks. (CGPDTM)
1999	Trademarks Act	
1999	Geographical Indications of Goods (Registration and Protection) Act	Commerce Ministry’s Geographical Indications Registry at Chennai
2000	Designs Act	CGPDTM
2000	Semiconductor Integrated Circuits	MEITY: Ministry of Electronics and Information



Year	Act	Nodal?
	Layout-Design Act	Technology
2001	Protection of Plant Varieties and Farmers' Rights Act	Agro Ministry
2002	Biological Diversity Act	Environment Ministry

42.2 🧑🎵 IPR → COPYRIGHT RELATED BODIES

42.2.1 🧑🎵 Copyright office

- Boss? Education Ministry → Department of Higher Education → Copyright office → Registrar of Copyright. [Note: later, copyright office was shifted to commerce ministry → DPIIT Dept. But, in some books, the information is not updated.]
- Nature: statutory| quasi-judicial| full-time. Function? Registration of copyright.

42.2.2 🧑🎵 Copyright Board

- Nature: statutory| quasi-judicial| part-time.
- Functions: (1) handle the dispute related to copyright registration. (2) Fix the royalty rates for music/books etc.

42.2.3 🧑🎵 Intellectual Property Appellate Board (IPAB: बौद्धिक संपदा अपीलीय बोर्ड)

- 2003: It was setup to hear the appeals related to Trade Mark Act, GI Act, Patent Act, Copyright Act. (e.g. Copyright office → Copyright Board → IPAB).
- but later, govt felt that IPAB was not delivering fast justice. (तेजी से न्याय नहीं दे पा रहा था इसलिए सरकार ने इसे बंद कर दिया)
- 2021: IPAB abolished. Now the parties need to file appeals at High Court.

42.2.4 🧑🎵 Copyright Act: automatic existence.

- Copyright comes into existence as soon as a work is created. No formality is required for acquiring it. (आप जैसे ही किसी कृति की रचना करते हैं, उस पर आपका कॉपीराइट अधिकार अपने आप बन जाता है. बिना किसी पंजीकरण करवाएं भी.)
- However, to establish ownership of copyright in court (for example, when fighting a piracy case), it's advisable to register your work with the copyright office. (हालांकि अदालत में अपनी कॉपीराइट अधिकार को साबित करने के लिए, यह सलाह दी जाती है, कि आप अपनी कृति का कॉपीराइट पंजीकरण करवाएं।)

42.2.5 🧑🎵 Copyright Act - covers following works

- (i) original literary, software, musical, and artistic works;
- (ii) cinematographic films;
- (iii) sound recording.

There is one more way to classify them, as per following table:

Type of work	Examples
Literary work	Pamphlets, Brochures, Novels, Books, Poems, Song Lyrics, Computer Programme
Artistic work	Drawings, Paintings, Sculpture, Architectural & Technical Drawings, Maps, Logos
Dramatic	Dance or Mime, Screenplay, Music, Sound Recording, Cinematographic films

42.2.6 Trademark Types

Type of work	Examples
--------------	----------



(1) Conventional Trademark	Words, colour combination, label, logo, packaging, shape of goods, etc.
(2) Non-Conventional Trademark	1. Sound mark - e.g. unique starting musical sound in Apple laptop. 2. dynamic marks/ fluid marks e.g. (A) Google Doodle displayed on the top of the search engine. (B) Amul Girl in different clothes in newspaper cartoons.
(3) Smell and Taste trademark	e.g. Unique smell of Tide/Ariel detergent. But this type of trademark is not recognised under Indian laws.

42.3 IPR → PATENTS → WHAT CAN'T BE PATENTED?

- ⇒ Frivolous inventions. E.g. schoolbag, laptop bag (मामूली आविष्कार)
- ⇒ Anything seriously harmful to public order, morality, humans, animals, plants or environment. E.g. Stone-pelting machine (पत्थरबाजी करने की मशीन का पेटेंट नहीं मिल सकता)
- ⇒ Atomic energy related inventions.
- ⇒ Mere discovery of a scientific principle or the formulation of an abstract theory or discovery of any living thing or non-living substance occurring in nature;
- ⇒ Plants-seeds varieties, biological process to create them; (Ref  Pil#4A Pepsi-Potato)
- ⇒ animals breeding; Medical treatment of humans and animals
- ⇒ Mere discovery of a new form of a known substance which does not ↑ efficiency.
- ⇒ Mere re-arrangement or duplication of known devices.
- ⇒ Mere aggregation of properties of the components e.g. lemon + sugar + water = juice
- ⇒ Mathematical formula, business method, method of playing game e.g. Dhoni's helicopter shot.
- ⇒ computer program, presentation of information
- ⇒ Integrated circuit (Its IPR can be registered separately under Semiconductor Integrated Circuits Layout-Design Act)
- ⇒ literary, dramatic, musical or artistic work; cinema-TV shows. (साहित्य नाट्य संगीत कला)- there is separate copyright law for it.
- ⇒ Traditional knowledge. E.g. Ayurvedic information.

42.3.1 Patent: Discovery versus invention

	Discovery खोज	Invention आविष्कार
Meaning	Process of highlighting an already existing thing	Ability to create something novel, or something unique
e.g.	Newton saw the apple fall and discovered gravity	Alexander Graham Bell invented telephone
Patentable?	No	Yes it can be patented.

? MCQ. Find correct statement(s): (Prelims-2019)

1. According to Indian Patents Act, a biological process to create a seed can be patented in India. (No it, can't be patented under Patent Act. But can be registered under separate law)



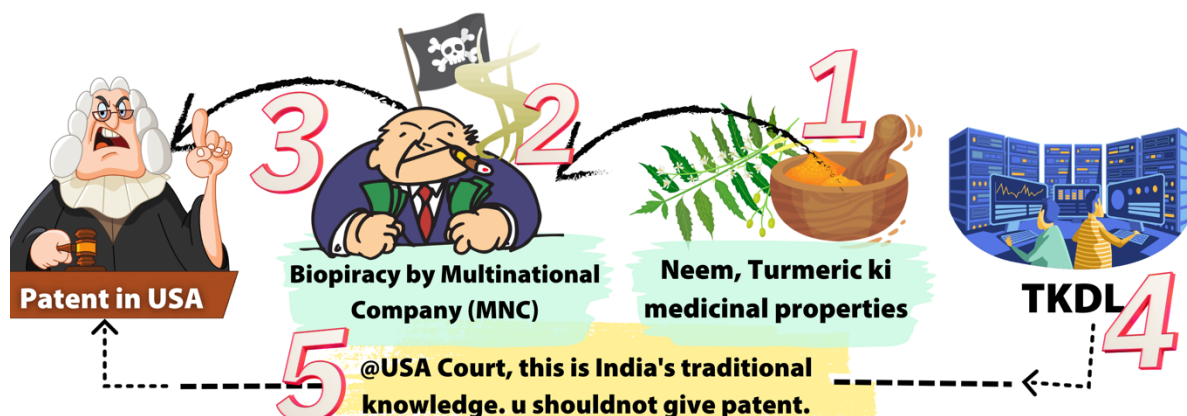
2. In India, there is no Intellectual Property Appellate Board. [Note: 2021: IPAB abolished so this MCQ will have two answer, 2019 mein different, 2021 onwards different.]
3. Plant Varieties are not eligible to be patented in India. (True, there is separate law.)
- Answer Codes: (a) 1 and 3 only (b) 2 and 3 only (c) 3 only (d) 1, 2, and 3

42.3.2 🦋 IPR: Biopiracy & Traditional Knowledge Digital Library (TKDL)

- ⇒ 2001: TKDL started by CSIR (Council of Scientific and Industrial Research, under Sci Ministry) + Ministry of AYUSH. 🎯 **Objective:** to prevent biopiracy.
- ⇒ Biopiracy = to the exploitation of traditional knowledge, genetic material etc by companies, without the consent of local community / original owners. e.g.

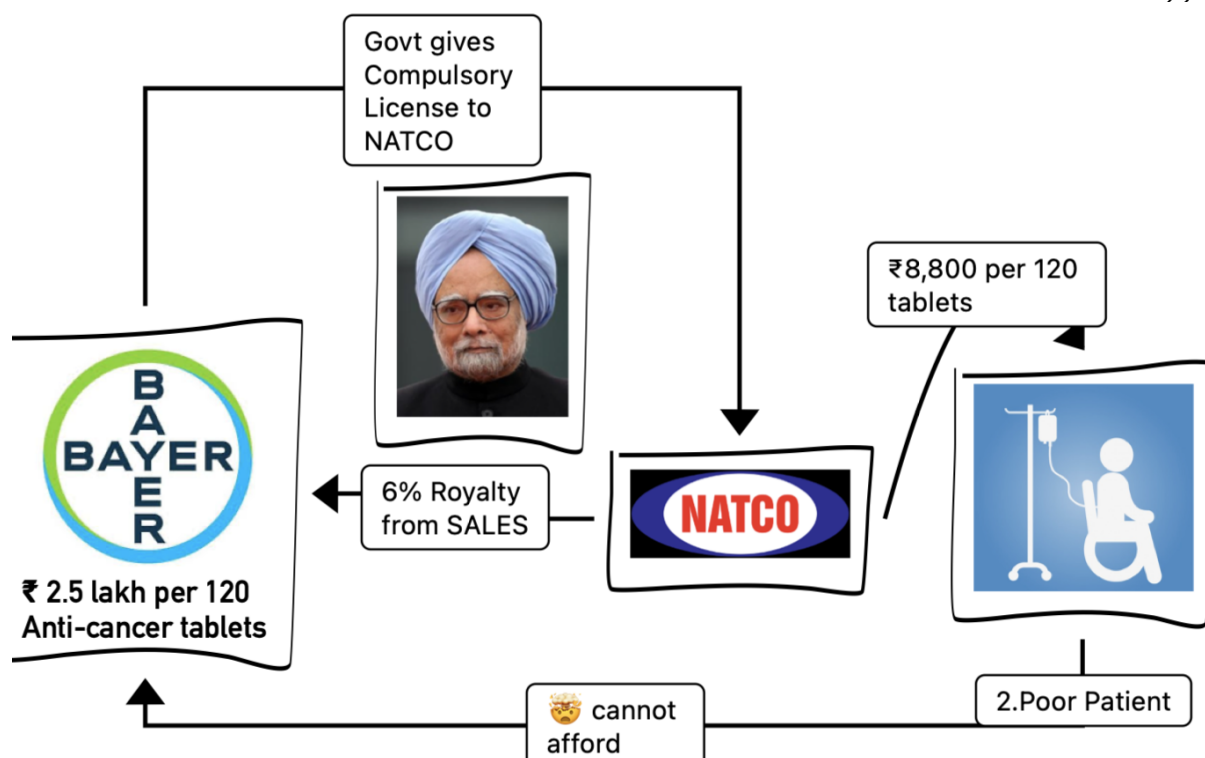
Traditional Knowledge	Patent application in USA / biopiracy attempt
Neem Oil	Neem oil extracts to cure skin diseases and fungal infections
Turmeric powder	medicine for wound healing

- ⇒ TKDL contains digital database of over 3 lakh traditional Indian medicines/techniques from Ayurveda, Unani, Siddha, Sowa Rigpa, yoga as well as Yoga.
- ⇒ TKDL database available in five international languages including English, German, French, Japanese and Spanish, - in a format easily understandable by (foreign) patent examiners.
- ⇒ TKDL evidence helped revoking/banning over 200 patents obtained thru biopiracy.
- बड़ी कम्पनीओ द्वारा भारत की आयुर्वेद और प्राकृतिक / पारम्परिक उपचार ज्ञान का विदेश में धोखाधड़ी से पेटेंट करवा देना- उसे बायोपायरेसी कहते हैं। इसके खिलाफ लड़ने के लिए सरकार ने पारंपरिक ज्ञान डिजिटल लाइब्रेरी (टीकेडीएल) बनाई है।

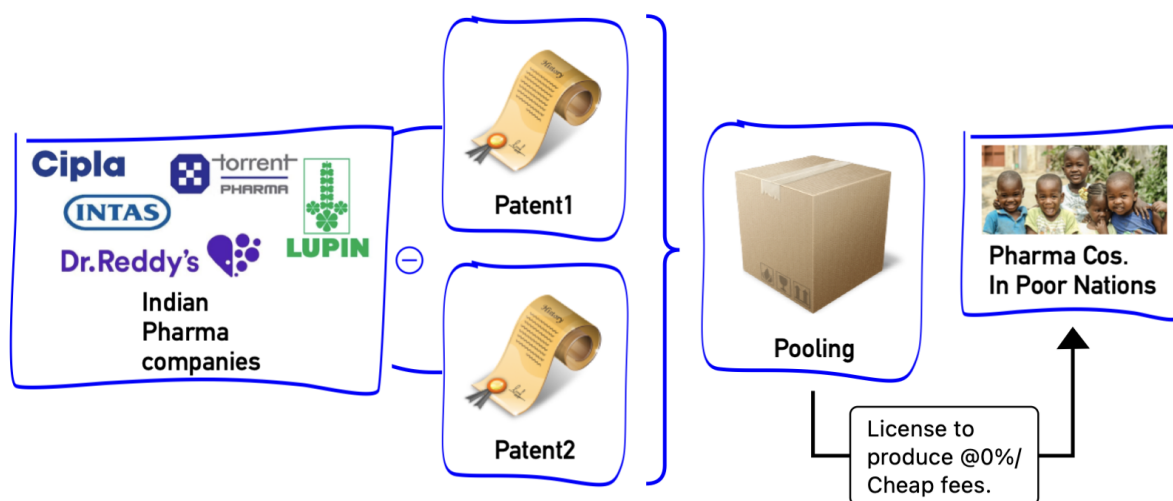


42.4 🦋 IPR → PATENTS → COMPULSORY LICENSING (अनिवार्य लाइसेंसिंग)

- ⇒ If public interest is involved → Government can use, manufacture, import or sell a patented invention without the patent-owner's consent. Permitted under WTO's TRIPS agreement. (जनहित में सरकार पेटेंट वाली दवाई का भी बिना पेटेंट-धारक की अनुमति के उत्पादन करवा सकती है.)
- ⇒ 2012: Shortage of an anticancer drug Nexavar in Indian market. Bayer Pharma (Germany) held patent & production rights & sold of ₹ 2.50 lakhs per 120 tablets.
- ⇒ So, Indian Govt used Indian Patent Act to 'Compulsory License' to an Indian company NATCO to produce this drug, sell it at ₹ 8880 per 120 tablets & pay 6% royalty to Bayer.
- ⇒ US & EU are apprehensive of Indian Govt issuing CL, because their MNCs will suffer, if such low prices and royalty % are forced. (भारत सरकार के इन कदमों से गोरे देश चिंतित)
- ⇒ 2020: newspaper columns on how CL can help making Corona drugs cheap. 🕒 थोड़ा-पढ़ो-आगे-बढ़ो



42.4.1 Patent pools (पेटेंटों का समूहीकरण)



- ⇒ Patent pools are voluntary agreements between two or more patent holders. (स्वैच्छिक समझौते) to create a "pool" → Appoint a manager → Manager gives the production/licence rights to multiple third parties for a cheap cost → manager distributes the royalty/license fees among the patent holders.
- ⇒ **Why in the news?** Costa Rica and other poor nations are proposing patent pools for Corona related drugs/vaccines.
- ⇒ Pharma MNCs of USA & UK etc are opposed to this idea since it'll harm their monopoly & profiteering. (गोरो की फिरगी कंपनिया इससे नाराज़ क्योंकि उनके एकाधिकार और मुनाफाखोरी को खतरा)



42.4.2 🧐👉 Trips Waiver demand by India & S.Africa

- ⇒ 2020-Oct: India and South Africa jointly proposed waiver from the TRIPS Agreement for COVID-19 for drugs, vaccines, diagnostics kits, personal protective equipment (PPE), and other medical technologies. In simple words: (कोरोना के साथ जुड़ी हुई चीजों को बौद्धिक संपदा संधि में मुक्ति/रियायत दी जाए-ऐसा प्रस्ताव भारत और अफ्रीका ने मिलकर विश्व व्यापार संगठन में किया है)
- ⇒ First world countries should proactively share such patents / technology with third world countries. (प्रथम विश्व के देशों ने उसकी उत्पादन प्रौद्योगिकी तीसरे विश्व के देशों के साथ साझा करनी चाहिए)
- ⇒ if a third world country is using such patented-technology of a 1st world country then it should be allowed, without any complaints/penalties at WIPO/WTO. (ताकि अन्य देश भी उसका उत्पादन कर सकें, बिना विश्व व्यापार संगठन में शिकायत से डरे)
- ⇒ 2022-WTO Geneva Summit allowed this. Refer to Pillar3C.

42.5 🧐 IPR → EVERGREENING OF PATENTS (पेटेंट को सदाबहार करना / रखना)

- ⇒ Patent is a statutory monopoly right given for an invention for 20 years. (पेटेंट - २० साल के एक सीमित समय के लिए एक आविष्कार के लिए दिया गया एक वैधानिक एकाधिकार है।)
- ⇒ Patent protection is a territorial right and therefore it is effective only within a country. Suppose a pharma company is given 20 years patent for xyz drug in India, others cannot manufacture it during that period. (20 वर्ष के बाद ये अधिकार खत्म हो जाता है।)
- ⇒ But when the patent is about to expire, the company just slightly modifies the original drug formula to create a new drug and seeks patent for that new drug. This unethical practice is called "Evergreening". (औषधि के मूल तत्व में थोड़ा बहुत मामूली फेरबदल करके दोबारा पेटेंट लेने की फर्जी कोशिश)
- ⇒ Indian Patent Act prohibits Evergreening. (under Section 3(d)). (क़ानून में प्रतिबंधित है)
- ⇒ (2013) A Swiss pharma company Novartis's blood cancer drug Glivec's patent was about to expire, they had sought patent for similar new anti-cancer drug but lost the case in Supreme Court India. SC allowed Indian companies can produce generic version of this anti cancer drug
→ patient will get it at cheaper price.
- ⇒ 2023: similar case with Johnson and Johnson's TB medication **Bedaquiline**.

42.6 🧐 IPR → UTILITY PATENTS: उपयोगिता पेटेंट

- Utility patents / 'petty patents' recognize the minor / superficial (mechanical) improvements of existing products e.g. adding speaker in a microwave oven to announce when food is prepared. (मामूली छिछोरे / सतही स्तर के यांत्रिक सुधार)
- Commerce ministry is not in favour of amending the Patent Act to allow Utility Patent because otherwise it could aggravate the problem of 'Evergreening of Patents'.

42.7 🧐🦁 IPR → NATIONAL IPR POLICY 2016

- **Nodal?** Commerce ministry. **Motto?** Creative India; Innovative India.
- This policy shifted the Copyright Office and its statutory body Intellectual Property Appellate Board (IPAB) from HRD (Education) ministry to commerce ministry.



- Conduct IPR awareness programs for industry, police, customs and judiciary so they can combat counterfeiting and piracy in a more efficient manner. (जागृति तथा तालीम)
- +Filler points like Launching new courses in the higher education to increase the availability of patent experts in India, reducing the patent application fees for the startup companies and grassroot innovators etc. (स्टार्टअप कंपनियों का पंजीकरण फ़ीस में मुक्ति)

MCQ. Find correct about 'National Intellectual Property Rights Policy' (UPSC-Pre-2017)

- a) It reiterates India's commitment to Doha Development Agenda & TRIPS Agreement.
 b) Dept of Industrial Policy and Promotion is nodal agency for regulating IPR in India.
 c) Both a and b [d) Neither a nor b

42.7.1 IPR → Digital India FutureLABS by MEITY (2024)

- Boss: Ministry of Electronics & IT → C-DAC (Centre for Development of Advanced Computing).
- Objective? collab between Government labs, Indian startups, large companies
- Sectors? Mobile, IT, electronics, Automobile.

42.7.2 IPR → Interim-Budget-2024: R&D ke liye ₹1 lakh cr fund

- we'll setup ₹1 lakh crore fund for R&D.
- 50 years ke interest-free loans will be given to private sector to scale up research and innovation.

42.7.3 ADITI Scheme by defence Ministry for R&D Grants to Startups (2024)

- Boss? Ministry of Defence → Department of Defence Production (DDP)
- iDEX (Innovations for Defence Excellence) framework → Acing Development of Innovative Technologies with iDEX (ADITI)
- Start-ups will get upto ₹ 25 crore grant for R&D in defence technology.

Some other schemes with similar features: (1) Defence India Start-up Challenge (DISC) (2) iDEX Prime (3) iDEX internship.

42.7.4 Budget-2025 on Startup / IPR / Mfg

- A new Fund of Funds with ₹ 10,000 crore will be set up.
- 50,000 Atal Tinkering Labs will be set up in Government schools.
- Focus Product Scheme for (1) Footwear & Leather, (2) Toy Sector, (3) Food Processing

42.7.5 R&D observations by ES25:

- India ranks 6th among the top 10 patent filing offices globally.
- gross expenditure on research & development (GERD) in India is ₹127,381 crore in (2020), but this is only 0.64% of GDP.

out of 100% R&D Expenditure of nation	India	China, Japan, South Korea, and the USA
private sector cos' contribution →	36%	>70%

- Thus, Indian companies are suffering from Jugaad mentality. They are not investing in the research development, despite government providing them with subsidy, tax-benefits.
- Most of Private company R&D funding goes to 1) Pharma 2) IT 3) Transport research.



42.8 🧐👤 IPR → NOTABLE SCHEMES (कुछ उल्लेखनीय योजनाएं)

SIPP	- Commerce Ministry's Startups Intellectual Property Protection (SIPP: स्टार्टअप बौद्धिक संपदा संरक्षण) scheme valid from 2016 to 2020. - Startup entrepreneurs are given free training on how to file the patents. No patent fees for them.
AIM in NITI (2015)	Atal Innovation Mission in NITI Ayog to help the innovators. E.g. launch challenges / competitions and award prize money. Following initiatives launched in 2020: 2020-Sept: ARISE-ANIC initiative for applied research and innovation in Indian MSMEs and startups. 2020-Nov: AIM-Sirius Innovation Programme 3.0 for schoolchildren of India and Russia In virtual mode. Sirius is a Research Institute of Russia. It included a competition to create softwares and apps for culture, distance education, science, health, sports, fitness,, chemistry, artificial intelligence etc in Corona.
SETU in NITI (2015)	- Self Employment and Talent Utilisation (SETU) in NITI ayog - to setup incubators for innovation. Incubators are centers that help aspiring entrepreneurs to develop /experiment with products without investing in all the machineries beforehand.
Smart India Hackathon	- Organized by the HRD/Edu Ministry since 2017 onwards. 2019: College students asked to give innovative ideas to solve the challenges faced by public sector organisations, industries and even NGOs. 36 hrs software development competition, 5 days hardware development competition etc.
YUKTI 2.0	2020: YUKTI 2.0 Young India Combating COVID with Knowledge, Technology and Innovation (YUKTI) is HRD/Edu Ministry's portal for sharing info about: Research, Innovation, Technologies, Startup (संशोधन, नवपरिवर्तन, तकनीक, स्टार्टअप) esp. those related to Corona
KAPILA	2020-: HRD/Edu Ministry's Kalam Program for Intellectual Property Literacy and Awareness Campaign (KAPILA). [कॉलेज के छात्र और अध्यापकों में IPR जागृति] - To create awareness about Intellectual Property Rights (IPR) and patents among students and teachers in Higher Education Institutions (HEIs)
Misc. कुल मिलाकर छात्रवृत्ति इनाम इत्यादि	Dept of Science Technology launched INSPIRE (Innovation in Science Pursuit for Inspired Research) – scholarship and awards given to students and faculty. MANAK (Million Minds Augmenting National Aspiration and Knowledge) NIDHI (NAtional Initiative for Developing and Harnessing Innovation) NIDHI-PRAYAS (PRomoting and Accelerating Young and ASpiring technology entrepreneurs) HRD Ministry launched Uchhattar Avishkar Yojana (UAY) for IITs All these schemes provide some type of grant, funding, scholarship, award the innovator. By default they're 100% Union fund. Internal-difference-& exact features= poor-cost-benefit.

AB CD ? Atal innovation mission is set up under the ___. (Pre19-SetA-Q19)



- (a) Department of science of technology (b) Ministry of labour and employment
(c) NITI Ayog (d) Ministry of skill development and entrepreneurship

AB CD ? INSPIRE is an ongoing initiative of Government of India for (CAPF19)

- (a) attracting talent for science and research (b) research advancement through nurturing
(c) promoting research among various S & T stakeholders
(d) augmenting quality manpower in niche areas of research

AB CD ? The policy of Intellectual Property Rights (IPRs) is the responsibility of _ _ _ _ (CDS-i-2020)

- a) Ministry of Law and Justice b) Department of Science and Technology
c) Department for Promotion of Industry and Internal Trade
d) Ministry of Human Resource Development

AB CD ? NIDHI is an umbrella scheme for the promotion of (Asked in UPSC-CDS-2021-i)

- (a) young and aspiring innovators. (b) scientific research.
(c) primary health care. (d) primary education in rural areas.

AB CD MCQ. MANAK, a scheme INSPIRE scheme, caters to: (CDS-2025-1)

- (a) The college students studying in the undergraduate programme in the age group of 19-25 years.
(b) The research scholars in recognized research laboratories of national importance.
(c) The college teachers of the country.

✓ (d) Kids in classes 6-10 in the age of 10-15 yrs. (NOT possible to memorize this much)

42.9 🇮🇳 IPR → INDICES & RANKINGS



42.9.1 🇮🇳 IPR Index → Global Innovation Index (GII: वैश्विक नवीनीकरण सूचकांक)

by WIPO, Cornell University (USA), Insead Business School (Paris).

⇒ GII ranks a country based on performance across 7 pillars viz. 1) knowledge and technology outputs, 2) market sophistication, 3) human capital and research, 4) institutions, 5) business sophistication, 6) infrastructure, 7) creative outputs.

Rank	1-2-3	India	THEME
2025	1 Switzerland, 2 Sweden, 3 USA	38	"Innovation at a Crossroads" (because global economy is at crossroads of AI-transition, Tariff-war, Geo-politics)

India's rank in improving continuously: 📌

Year	2020	2021	2022	2023	2024	2025
India's GII Rank	48th	46th	40th	40th	39th	38

AB CD MCQ. Find Correct: (CDS-2-2025)

1. India's rank in Global Innovation Index improved significantly between 2015 and 2024.
2. R&D is sourced primarily from private sector entities and is sectorally concentrated in pharma & IT Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

Hint: Private sector contributes less than 40% as per ES25, so st2 wrong.



42.9.2 🇮🇳 Index → Global Competitiveness Index (GCI) by WEF

✓ 2021 onwards- seems they've not published reports yet. (Note: Don't confuse this with IMD org's global competitiveness index)

42.9.3 🇮🇳 Index → NITI's India Innovation Index (भारत नवाचार सूचकांक)

2019: NITI Aayog released it. Institute for Competitiveness (a private organization) acted as knowledge partner. It monitors the States and UT on two dimensions viz

1) Enablers (प्रोत्साहनदाता)	Includes five pillars: (1) Human Capital, (2) Investment, (3) Knowledge Workers, (4) Business Environment, and (5) Safety and Legal Environment.
2) Performance	Includes two pillars: (6) Knowledge Output and (7) Knowledge Diffusion.

NITI Aayog's India Innovation Index 2021 (published in 2022-Jul)- Top3 (Major States) Karnataka, Telangana and Haryana. Bottom-3 (Major States) Chhattisgarh, Odisha and Bihar.

42.9.4 🇮🇳 IPR Index → Misc. फालतू वाले

👉 Following are low profile bodies, so their index components / India's ranking = not Imp / gives very poor: cost benefit for exam (इतना सब याद रखने में फायदा कम ही है। अपनी याददाश्त पर बहुत ज़ोर मत डालो।)

Index	Prepared by
Global Talent Competitiveness Index (GTCI: वैश्विक प्रतिभा प्रतिस्पर्धा सूचकांक)	By INSEAD business school (Paris) in partnership with Tata Communications and Adecco Group.
World Competitiveness Index	By Switzerland-based International Institute for Management and Development (IMD).
World Digital Competitiveness Ranking	By Switzerland-based International Institute for Management and Development (IMD).
Index of Economic Freedom	By Heritage Foundation (USA) with support of Wall Street Journal.
Technology and Innovation Report	By United Nations Conference on Trade and Development (UNCTAD, HQ: Geneva, Switzerland). 2021 Report: India listed as the top "over-performer" among developing countries.

AB CD ? Global Competitiveness Report is published by the ___. (Prelims-2019)

(a) IMF (b) UNCTAD (c) World Economic Forum (d) World Bank

AB CD ? Who got 1st rank in the IMD World Competitiveness ranking 2019? (UPSC-Geologist-2020)

a) Singapore b) USA c) India d) Switzerland

43 🏃♂️ SECTORS: EASE OF DOING BUSINESS REPORT

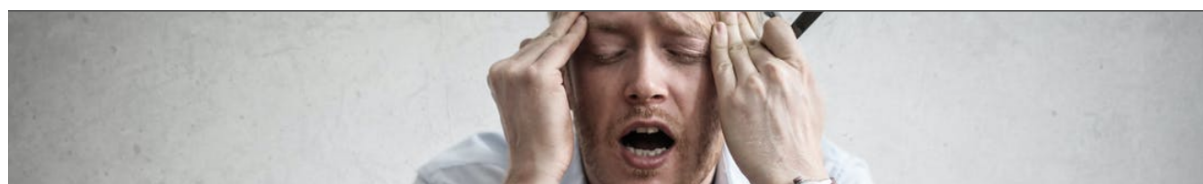


Figure 1: अपना बिजनेस शुरू करने के लिए सरकारी दफ्तरों के चक्कर काटते काटते थक चुका हूँ

- व्यापार करने में सुगमता का रिपोर्ट is an index by the World Bank to measure how easy or difficult it is to run a business organisation in a given country, based on simple average (equally weighted) of 10



parameters- such as no. of documents, time & cost involved in registering a property, getting an electricity connection, paying taxes etc.

- 2020 Aug: World Bank has **discontinued/suspended** this report because of allegations of data manipulation / irregularities about China's rank. (डाटा में धांधली / छेड़छाड़ हो रही है ऐसे आरोपों के चलते इस साल रिपोर्ट को स्थगित किया)

43.1.1 🇮🇳 WB's B-READY (Business-Ready) Index (2026)

- B-Ready Index will replacing the World Bank's Doing Business index
- 2026: India's B-Ready report will be published.
- India's commerce ministry is coordinating with World Bank for the data collection.

43.1.2 🇮🇳 EoD → Indian States' EoD: BRAP Ranking

⇒ Commerce ministry → Department of Industrial Promotion and Internal Trade (DPIIT) with help of World Bank. Indian States are ranked for Access to Information, Single Window System, Labour, Environment, etc. (सूचना, एकल खिड़की प्रणाली, श्रम, पर्यावरण)

Performance	States ranking in 2024
Top	1 Kerala, 2 Andhra, Gujarat, Rajasthan, Tripura, and Uttar Pradesh.
Worst	Arunachal Pradesh, Telangana, Punjab, and Puducherry

43.1.3 🇮🇳 EoD → Economic Freedom of the World

⇒ by the Fraser Institute in Canada. (विश्व की आर्थिक स्वतंत्रता)
 ⇒ To rank the ability of individuals to make their own economic decisions in a country e.g. How easy it is to start a business, get a loan, number of Govt regulations etc
 ⇒ Ranking: I'd not burden in my brain memory card with this low profile report.

43.2 🤔 EASE OF DOING BIZ (EoD): 💰 BUDGET-2023 ANNOUNCEMENTS

43.2.1 🤔 EoD: Vivad se Vishwas I – Relief for MSMEs in 💰 Budget-2023

⇒ normally if a company fails to complete the government project on time (e.g. highway building, supplying tables/chairs etc), then govt will forfeit company's bid security deposit/Earnest Money Deposit/bank guarantee/performance security.
 ⇒ 💰 Budget-2023: if MSME could not complete the government /CPSE contract during the Covid period → 95% of the forfeited amount will be refunded.
 ⇒ Here, COVID Period means between February 19, 2020, and March 31, 2022.

यदि कोई एमएसएमई उद्योग ने कोरोना के दौरान सरकारी ठेका पूरा नहीं किया था और सरकार ने दंड के रूप में उसकी सिक्योरिटी डिपोजिट को ज़ब्त किया था। तो 95% जप्त रकम सरकार वापस लौटा देगी।





43.2.2 🤔💡 Vivad se Vishwas II – Settling Contractual Disputes in 📅 Budget-2023

- ⇒ if a company vs Government's contractual disputes is pending in a court. (e.g. NHAI/ONGC imposing penalty on a contractor for bad construction quality etc.)
- ⇒ then such contractors file cases in courts against the penalty.
- ⇒ 📅 Budget-2023: will give option for voluntarily settlement of dispute outside the court using arbitrator/mediator.
- ⇒ Govt aims to settle 500 cases involving about Rs 1 trillion.

किसी कंपनी का सरकार के खिलाफ किसी अनुबंध/कॉन्ट्रैक्ट के मामले के अदालती-मुकदमा चल रहा है, तो अदालत के बाहर ही उसका समाधान/मध्यस्थी का अवसर/मौका दिया जाएगा।

43.2.3 🤔💡 EoD: PAN Card as Common Business Identifier

Govt will amend the laws to make PAN the Common Business Identifier for companies.

number/id	Company has to get this id for
PAN	for Direct Taxes and TDS (Ref: Pillar#2A1)
GSTIN	for GST tax submission / website login (Ref: Pillar#2A2)
LIN: Labour Identification No.	for EPFO and other labour laws related websites (Ref: Pillar#1D)
CIN:	for Companies Act registration (Ref: Pillar#1C2)
Udhyam number	for MSME schemes

Benefits: easier and faster to

- ✓ 😊 1) For businessman to login/register to multiple government website using just PAN number, without having to remember so many login-ids/passwords.
- ✓ 😊 2) For the tax authorities to crosscheck fraud / tax evasion etc.
- ✓ 😊 3) For the bankers to crosscheck company's financial capacity before passing loans.

विविध सरकारी वेबसाइट में पंजीकरण/लॉगिन के लिए पैन कार्ड नंबर को ही आम/सामान्य बिजनेस पहचानकर्ता नंबर के रूप में इस्तेमाल किया जाएगा। इससे उद्योगपति के लिए भी आसानी रहेगी, और कर अधिकारियों के लिए भी निगरानी आसान रहेगी, बैंकों के लिए लोन देने से पहले उद्योगपति की वित्तीय क्षमता का आकलन करना भी आसान होगा।

43.2.4 🤔💡 EoD: Unified Filing Process

- ⇒ Companies have to upload many documents and legal-compliance reports to various websites such as Labour ministry, corporate affairs ministry, commerce ministry, MSME Ministry etc.
- ⇒ 📅 Budget-2023: we'll setup a common portal for Unified Filing Process to help the companies. This will save businessmen' time/effort in visiting / logging into multiple websites (कंपनी ने अलग अलग मंत्रालयों की वेबसाइट पर कानूनी अनुपालन के दस्तावेज़ नहीं अपलोड करने होंगे। एक ही वेबसाइट से सारा काम हो जाएगा।)

43.2.5 🤔💡 EoD for MSME: GSTN gets AA Status





- ⇒ Account Aggregator (AA) or Financial Information Provider (FIP) is an NBFC that collects/provides financial information of the client. (Ref: Pillar#1B1 classification.)
- ⇒ AA/FIP transfers data from one financial institution to another institution, based on an individual's instruction and consent.
- ⇒ RBI has granted AA/FIP status to Goods and Services Tax Network (GSTN). (Ref: Pillar#2A2-GST)
- ⇒ This will enable MSME owner to directly show his financial capacity (via GST tax data) to bank/NBFCs for getting loans more easily.

रिजर्व बैंक ने जीएसटीएन कंपनी को अकाउंट एग्रीगेटर का दर्जा दिया है। ताकि व्यापारी अपने जीएसटी टैक्स लेनदेन का डाटा अन्य बैंक वित्तीय संस्थानों को दिखा सके ताकि मैनेजर उस व्यापारी की वित्तीय क्षमता/साख का आकलन लेके लोन जल्दी से पास कर सके।

43.2.6 🧑🏻💻 EoD: One-stop solution for identity and address updating :

- ⇒ A persons database is stored in multiple government websites such as driving license, municipal property tax, education department scholarship portal etc.
- ⇒ 📅 Budget-2023: A one stop solution/website updating address/identity. With help of Aadhaar card and DigiLocker.
- ⇒ DigiLocker = App/Portal by Ministry of Electronics and Information Technology (MeitY) storing documents e.g. marksheet, driving license et cetera (2015)

किसी व्यक्ति को सरकारी दस्तावेजों में अपना एड्रेस बदलवाने के लिए अलग अलग वेबसाइटों पर भटकना नहीं पड़ेगा। आधार कार्ड और डीजीलॉकर द्वारा एक ही ज़्यादा यह काम निपट जाएगा।

43.2.7 🧑🏻💻 EoD: training of civil servants to be more sensitive in Mission KarmaYogi

- ⇒ 2020: Ministry of Personnel → Mission Karmayogi = training and skill development programme for civil servants.
- ⇒ iGOT Karmayogi = webportal providing online training to civil servants in union/state/UT.
- ⇒ 📅 Budget-2023: In above program, we'll give training to civil servants to be more friendly towards citizens and businessman.

मिशन कर्मयोगी के तहत सरकारी कर्मियों को तालीम देंगे ताकि वे लोगों के प्रति ज्यादा मैत्रीपूर्ण व संवेदनशील होकर काम करें।

43.3 🧑🏻♂ EODB 2.0 IN 📅 BUDGET-2022 (व्यापार सुगमता का दूसरा चरण)

EODB 1.0 = So far, Govt removed nearly 1500 laws and 25,000 compliances

📅 Budget-2022 announced Next phase of Ease of Doing Business (EODB 2.0). It'll focus on →

- ✓ idea of 'trust-based governance'. (विश्वास आधारित सरकार)
- ✓ digitisation of manual processes (मैन्युअल प्रक्रियाओं का डिजिटलीकरण)
- ✓ integration of the central and state-level systems through IT bridges (सूचना प्रौद्योगिकी द्वारा केंद्र और राज्य सरकार की प्रणालियों के बीच सेतु/पुल बनाना)
- ✓ citizen-centric services (नागरिक-लक्षित सेवाएँ)
- ✓ removal of overlapping compliances. (अनुपालनों का व्यर्थ दोहराव हटाना)
- ✓ Crowdsourcing of suggestions (स्वयंसेवकों भीड़ द्वारा सुझावों को इकट्ठा करवाना)

43.4 🧑🏻♀ PRO-BUSINESS VS PRO-CRONY, 📅 ES20VOL1CH3

Crony capitalism is an economic system in which businessmen thrive not by their hard work or risk taking capacity, but through a nexus between a business class and the political class. (पक्षपाती पूंजीवाद: ऊद्योगपति अपनी मेहनत या जोखिम लेने की क्षमता से नहीं किन्तु, राजनीतिक वर्ग से सांठगांठ के चलते तरक्की करते हैं)



How it harms economy, what to do to fix it? Ans. Shifted to Mains Handout.

43.4.1 🧑🏻👩🏻💰🛒🛒🛒🛒🛒🛒 **Cronyism: Economist David Ricardo & Rent Seeking**

- ⇒ A Mobile company pays political bribes to get spectrum/license from the Government. (More in Pillar5: Communication infrastructure)
- ⇒ Then the Company will charge very high prices on the prepaid plans and data packs to recover (1) Operational Costs (2) Profit (3) Bribes. मंत्री को दी गई घूस की रकम ग्राहक पर बोझ डालती है
- ⇒ Similar examples could be cited in the coal-power based thermal electricity prices, Toll fees charged by highways developers, heavy fees in private hospitals/ schools/colleges.
- ⇒ Ricardo labelled it “rent seeking behaviour. (किरायावसूली/लुटने की मानसिकता)” It doesn’t help in (new) wealth creation because abnormal profits extracted at common citizens’ expense.
- ⇒ Such crony capitalists do not invest their high profit for research and innovation, they just use it for debauchery & building more crony-relationship with politicians. (मुनाफे को नई खोज/संशोधन में नहीं बल्कि ऐयाशी, और नेताओं से साँठगांठ बढ़ाने में इस्तेमाल करते हैं)

43.4.2 🧑🏻👩🏻💰🛒🛒🛒 **ENFORCING CONTRACTS PORTAL (2021-June)**

- ⇒ This portal launched by Department of Justice (under Ministry of Law)
- ⇒ This portal provides 1) information/statistics about cases in Commercial/Civil Courts of Delhi, Mumbai, Bengaluru and Kolkata 2) Commercial laws for reading/reference purpose. (भारत की प्रमुख शहरों में दीवानी अदालतों में कितने कि इस जारी है उसका डेटा तथा विविध दीवानी कानूनों को पढ़ने की सुविधा)

43.4.3 🧑🏻👩🏻💰🛒🛒🛒 **International Arbitration Centre @GIFT city - in 🛒🛒🛒 Budget-2022**

- ⇒ Arbitration is an alternative dispute resolution system to settle disputes outside the judiciary courts, using an impartial third party. (“मध्यस्थता” = अदालत के बाहर एक तीसरे निष्पक्ष व्यक्ति की मदद से विवाद हल का वैकल्पिक तरीका है)
- ⇒ Presently, for disputes involving foreign companies vs Indian Govt/Companies → they approach Arbitration centres at Singapore, Netherland etc. .
- ⇒ 🛒🛒🛒 Budget-2022: - An International Arbitration Centre will be set up in the GIFT City for timely settlement of disputes under international jurisprudence.

43.4.4 🧑🏻👩🏻💰🛒🛒🛒 **Transparency International → Corruption Perceptions Index**

- ⇒ Transparency International is a global civil society organisation fighting against corruption. Setup in 1993, HQ- Berlin, Germany. (भ्रष्टाचार-अनुभूति सूचकांक).
- ⇒ Ranking for 2021: → #1 (tie) [Denmark and Finland]. Bottom Rank#180 [South Sudan].

Year	2018	2019	2020	2021	2024
India's Rank	78	80↓	86↓	85↑	93 out of 180

Note: I'd not loose sleep over India's latest rank, it is enough to know our rank is not very great.

To control corruption, the report recommends:

- ⇒ Focus on conflicts of interest, preferential treatment given to wealthy. हितों के टकराव पर ध्यान दें, धनवानों को मिलनेवाली सरकारी रियायतों पर ध्यान दें
- ⇒ Regulate electoral financing, election integrity. चुनावी फंडिंग का नियंत्रण, चुनावी धांधली रोके
- ⇒ Regulate lobbying activities. (उद्योगपतिओं की लॉबीइंग गतिविधियों को नियंत्रण में रखें)



43.5 🏃♂️👷♂️➡️EASE OF DOING BIZ → LABOUR REFORMS : श्रम सुधार



- There are multiple Central laws related to labour e.g. Minimum Wages Act, 1948; the Payment of Wages Act, 1936; the Payment of Bonus Act, 1965; and the Equal Remuneration Act, 1976.
- Entrepreneur has to fill up multiple forms to prove his compliance, and he's subjected to multiple annual inspections by the govt officials = No ease of doing biz. Therefore, Second National Labour Commission (2002) recommended govt to simplify & consolidate these laws. 2017-18: Govt announced to replace existing central laws with just four labour codes (श्रम संहिता /कानून) -

Old Laws →	Merged in
⇒ Payment of Wages Act, 1936 ⇒ Minimum Wages Act, 1948 ⇒ Payment of Bonus Act, 1965 ⇒ Equal Remuneration Act, 1976	Code on Wages, 2019. इन सब कानूनों को एकीकरण कर बनाई गई 'वेतन संहिता'
⇒ Trade Union Act, 1926 ⇒ Industrial Employment Act, 1946 ⇒ Industrial Disputes Act, 1947	Code on Industrial Relations, 2020 (श्रमिक और उद्योगपति के बीच) औद्योगिक संबंध संहिता
09 Labour Acts like ⇒ Employees' Compensation Act, 1923 ⇒ Maternity Benefit Act, 1961 ⇒ Payment of Gratuity Act, 1972 ⇒ Unorganized Workers' Social Security Act, 2008 etc.	Code on Social Security & Welfare, 2020 (श्रमिक की) सामाजिक सुरक्षा और कल्याण संहिता:
13 Labour Acts like ⇒ Factories Act, 1948 ⇒ Plantation Labour Act, 1951 ⇒ Mines Act, 1952 ⇒ Building and Other Constructions Workers' Act, 1996 etc.	Code on Occupational Safety, Health & Working Conditions, 2020 व्यावसायिक सुरक्षा, स्वास्थ्य और कार्य शर्तों पर श्रम संहिता

Before above labour code bills were passed, Labour Ministry kept amending the existing laws for ease of doing business and for workers welfare such as. (जब उक्त श्रम सहित आए संसद में पारित नहीं हुई थी तो पुराने वाले कानूनों में सरकार सुधार किए जाती थी)

Passed	Provisions
👷♂️ Maternity Benefit (Amendment) Act, 2017: मातृत्व लाभ (संशोधन)	- Applies to factory, mines, plantations, shops and other establishments. - Paid maternity leave for 1st to kids = 26 weeks. 3rd kid onwards = 12 weeks.



Passed	Provisions
अधिनियम, 2017	- If woman worker adopts a baby <3 years (or gets a baby through surrogacy)= 12 weeks paid leave for her . - If factory has 50 workers/> then boss must install creche facility; allow mother to visit child min. 4xtimes a day. - After maternity leave is over, boss may even allow the woman worker to work from home. - Boss must inform every woman worker of her rights in writing.
Payment of Wages (Amendment) Act, 2017	Previously the employer was legally required to pay salary in 'physical cash only' - in certain industries. Act reformed to allow salary payment in cheque/NEFT to encourage less cash economy.
Child Labour (Prohibition) Amendment Act, 2016: बाल श्रम (निषेध) संशोधन अधिनियम, 2016	It amends the 1986's act to provide that → Children below 14 years can't be employed anywhere, EXCEPT: - TV/ Cinema /Sports (but not circus) - Non hazardous family enterprise work after the school hours. Adolescents between 14 to 18 age can be employed but only in non-hazardous work. Any violations = Jail + penalty. District Magistrate given additional powers. Criticism? Chemical mixing, battery acid recycling etc. occupations removed from the 'hazardous list' so Ease of doing biz for their owners, but exploitation of adolescent workers.
Apprentices (Amendment) Act, 2014 प्रशिक्षु	- The original 1961 Act regulated the training of apprentices in the industry. But rules were draconian e.g. Govt shall decide the apprentice youth's stipend, holiday, overtime. If factory owner is violating any norm → jail. - So, the 2014's amendment relaxed the norms, Factory owner will decide stipend, holiday etc. and if any violations then only penalty, no jail for him.

MCQ. Which of the following statements is/are correct regarding the Maternity Benefit (Amendment) Act, 2017? (Prelims-2019)

1. Pregnant women are entitled for 3 months pre-delivery and three months post-delivery paid leave
2. Enterprises with creches must allow the mother minimum six creche visits daily
3. Women with two children get reduced entitlements.

Codes: (a) 1 and 2 only (b) 2 only (c) 3 only (d) 1,2 and 3

MCQ. As per the provisions of the Maternity Benefit Act, the maximum period for which a female employee shall be entitled to leave with wages as maternity benefit for giving birth to the third child is: (EPFO-2023) (a) 8 weeks (b) 12 weeks (c) Sixteen weeks (d) Twenty-six weeks

43.5.1 **Maternity leave for construction workers (2024)**

- Boss? (1) Ministries of Road Transport and Highways (MoRTH), (2) Housing and Urban Affairs
- Above two ministries have instructed all the contractors / employers to give follows:

Scenario	17 Maternity Leave Duration
----------	------------------------------------



Up to two childbirths	26 weeks
More than two children	12 weeks
Woman adopting baby	12 weeks
Miscarriage	6 weeks

Furthermore,

- highways contractors must provide facilities like latrines, urinals, washing areas, crèches, and adequate accommodation,
- Pay salaries/wages to women construction workers in digital mode.

43.5.2 🧑🏫➡️👤 Ease of doing Biz → Fixed Term Employment 2018 – removing from HDT

Outdated for 2026/27. So removing. Also removing its PYQ to save space.

43.6 🧑🏫➡️💰 MINIMUM WAGES (न्यूनतम वेतन)



- ⇒ (Definition) According International Labour Organization (ILO) अंतर्राष्ट्रीय श्रम संगठन (आईएलओ), minimum wage is the minimum amount of remuneration that an employer is legally required to pay to the worker. It's usually expressed in amount per day or per hour. (क्रानूनन रूप से इससे कम तनइस्वाह/वेतन में मालिक किसी भी मज़दूर से काम नहीं करवा सकता)
- ⇒ (Origin) The concept of minimum wages is not a modern-day innovation. Even Arthashastra written in the 2nd Century BCE ordained the minimum wages for workers based on their skills and occupation.
- ⇒ While the Britishers in enacted Payment of Wages Act, 1936 in India to ensure workers are paid salaries in a timely fashion it did not provide for minimum wages computation or enforcement or equal remuneration for males and females.
- ⇒ After independence, Directive Principles of State Policy (राज्य के नीति-निर्देशक तत्त्व) mandated the State (राज्य नीति के पथ प्रदर्शक सिद्धांत)
- to secure a living wage, a decent standard of life for all workers (Article 43),
 - to provide adequate means of livelihood for all citizens & equal pay for equal work for men and women (Article 39)

43.6.1 🧑🏫➡️💰 Minimum Wage Reform: Anoop Satpathy Committee (2019)

This committee was setup by the labour ministry for Determining the Methodology for Fixation of the National Minimum Wage. Its recommendation shifted to Mains Handout. #Prelims-RAFTAAR.

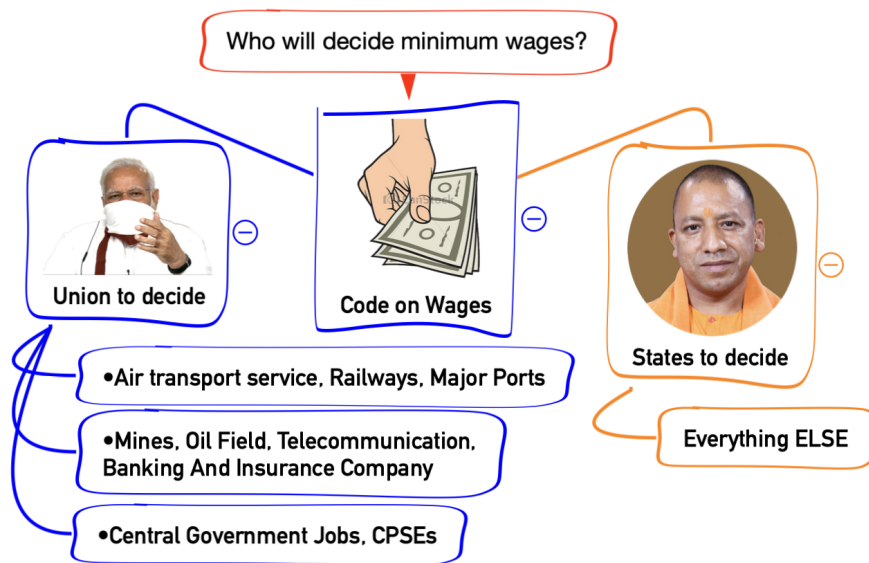
43.7 🧑🏫➡️💰👤 MINIMUM WAGES → CODE ON WAGES 2019 (वेतन कोड/ संहिता)

This new act aims to merge the existing Minimum Wages Act, 1948, the Payment of Wages Act, 1936, the Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976 into a single Code on Wages, with following features:



Domain	Sectors covered
Union Government केंद्र सरकार इन क्षेत्रों में न्यूनतम वेतन तय करेगी	✓ Sectors: Air transport service, Railways, Major Ports, mines, oil field, telecommunication, banking and insurance company, Central Government Jobs, CPSEs, autonomous bodies, their subsidiary bodies ✓ To fix minimum wages here, Government will setup a Central Advisory Body of Employers, Employees, Independent Experts and 5 State representatives ✓ Based on Central Advisory Body's recommendations, the Union will fix Floor Wages, for different geographical areas Taking into account minimum living stds. (<i>Meaning Anoop's idea is accepted</i>) (भारत के भौगोलिक हिस्सों के लिए राष्ट्रीय वेतन सीमा के अधीन न्यूनतम मजदूरी)
State Govts राज्य सरकारें यहाँ न्यूनतम वेतन तय करेंगी	✓ Sectors: They'll look after all the other sectors of employment which are not in Union's domain. ✓ They'll have individual State Advisory Board. ✓ They must keep Minimum wages > or = Floor Wages.

- 🕒 **Update Frequency?** minimum wages norms will be revised every 5 yrs or less.



43.7.1 🧑🏫💰👤 **Code on Wages 2019** → Salient Features (figures not IMP)

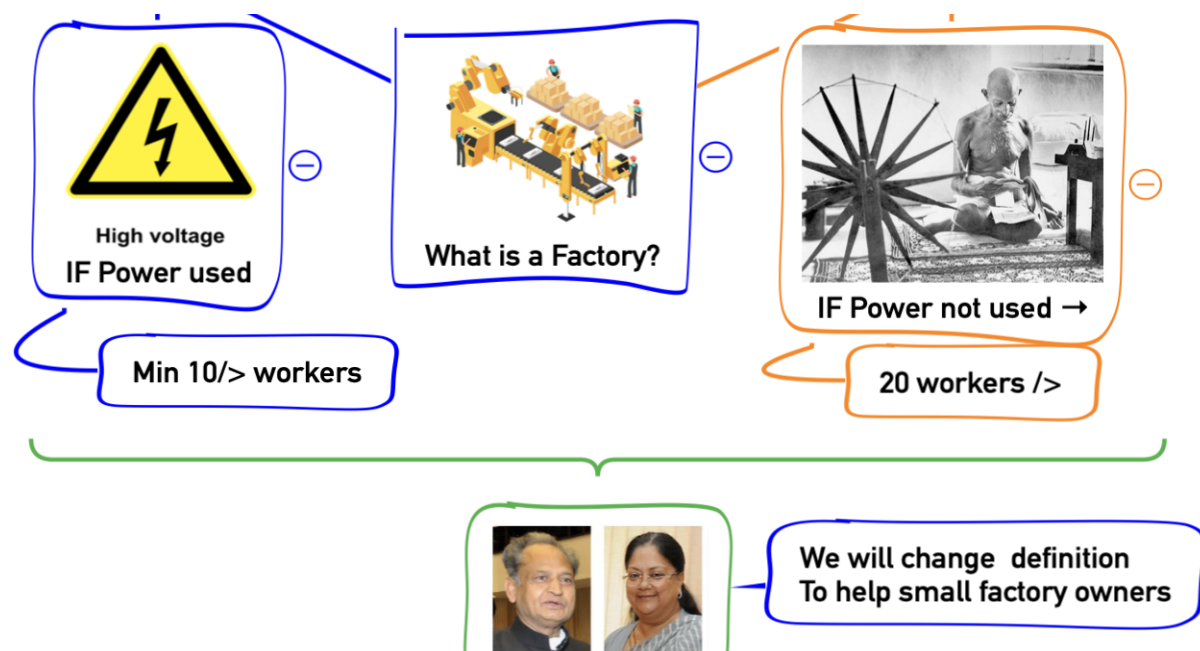
Overtime Pay	⇒ Depending on sector: Union / State will fix max. hours in a normal working day. ⇒ If worker doing more: "Overtime Wage" = Min. 2x normal wages
Payment Frequency	⇒ Boss (Employer) may pay wages (i) daily, (ii) weekly, (iii) fortnightly, or (iv) monthly. ⇒ In coin, currency, cheque, bank money, e-transfer
Deduction (कटौती)	⇒ Boss (Employer) may deduct worker's wages for 1) penalty 2) absence 3) rental home 4) advance / loan etc.
Right to Bonus	⇒ If worker's salary less than "X" ₹, then he is given Right to bonus ⇒ 8.33% of wages or ₹ 100 Whichever higher



	⇒ But not more than 20% of his annual wages. + other caveats notIMP
Gender discrimination	⇒ It is forbidden. Employer must give equal pay for equal work ⇒ एक समान काम के लिए महिला और पुरुष को एक समान वेतन मिले
Penalty for violation	⇒ Upto 3 months jail, ₹ 1 lakh fine

- Above Code on Wages is already passed by Parliament and signed by the President. But to implement it in reality, the Govt of India need to notify the rules & announce the minimum wages. But, due to Corona, implementation delayed

43.8 EASE OF DOING BIZ (EOD) → FACTORIES ACT REFORMS



Factories Act 1881: Primarily focused on controlling child, labour and child exploitation in factories.

Factories Act 1948 regulates safety, health & welfare of workers. (कारखाना अधिनियम: मज़दूरों के स्वास्थ्य सुरक्षा कल्याण के लिए)

- The original act defines a factory as a premise where manufacturing is done using power and minimum 10/> workers are employed during last 12 months. (20 workers, if no power used).
- If an establishment is classified as 'factory', then the entrepreneur is required to install washroom, drinking water facility, spittoons, creche and other amenities depending on how many workers are employed. (अगर आप की इकाई को फैक्ट्री में वर्गीकृत किया गया तो मजदूरों के लिए थूकदान, शिशुगृह, ठंडे पानी, साफ शौचालय जैसी विभिन्न सुविधाएं देनी होंगी)
- He cannot engage women workers in night shift or near dangerous machineries. (महिलाओं को राति के दौरान और खतरनाक मशीनरी के पास काम करने की अनुमति नहीं)
- His premises will be subjected to government inspection, If any violation he can be arrested and jailed. (=more opportunity for the factory inspector to demand bribes)

43.8.1 Factories (Amendment) Bill, 2014

- ⇒ Aims to relax definition of factory (20/> workers...) This will create ease of doing business for the small entrepreneurs because they will not have to comply with the factory act. (व्याख्या में सुधार ताकि छोटी इकाइयों को फैक्ट्री के नियमों का अनुपालन न करना पड़े)
- ⇒ Allows the entrepreneur to engage women worker in night shift & near dangerous machineries



subjected to various safety conditions (= women equality & empowerment)

- ⇒ For smaller violations, the entrepreneur can pay specified penalty. No arrest/ jail. (छोटे-छोटे उल्लंघन के लिए जेल में नहीं, सिर्फ जुर्माना)
- ⇒ The bill is still pending in the parliament, but Rajasthan and other state governments have amended their state laws to implement these reforms, because Labour is in concurrent list.

MCQ. The First Indian Factories Act, passed in 1881, dealt primarily with _ _ _ (EPFO-2023)

- (a) Women labour (b) Living conditions of factory workers (c) Child labour (d) Textile workers

43.9 (EOD) → INDUSTRIAL DISPUTE ACT 1947, 2010

- ⇒ If a factory has 100/> workers, and industrialist want to retrench (fire a group of workers to reduce salary bill) then State Govt's approval is necessary. औद्योगिक विवाद अधिनियम: मजदूरों को नौकरी से निकालने से पहले राज्य सरकार की अनुमति लेना जरूरी
- ⇒ Employer must give Advance notice to workers before changing office hrs, holiday norms etc.
 - If workers are unhappy they can file complaint to labour ministry officials. कार्य के दिन/ऑफिस समय अवधि में बदलाव से पहले भी मजदूरों को सूचित करना जरूरी
- ⇒ **Result?** NOT EASE of doing Biz because what if entrepreneur wants to adopt new labour saving Machine/technology or what if he has to ↑ work hours during emergency foreign contract.
- ⇒ To address these issues, Union amended the act in 2010 with certain technical reforms. Further, Rajasthan, Madhya Pradesh and other states also relaxed norms because labour=concurrent list, to attract more investment in their states. (कानून समवर्ती सूची में होने के चलते कुछ राज्यों ने सुधार किए → उद्योगपतियों का निवेश उन राज्यों में बढ़ सके)
- ⇒ ES19 observed that after initiating these reforms, Rajasthan has progressed much faster in terms of employment generation, attracting domestic and foreign companies.
- ⇒ Whereas inflexible states like W.Bengal, Bihar, Kerala are unable to create enough employment, cannot attract adequate capital into their states and their wages are lower as their productivity is lower. (बंगाल बिहार केरला में श्रम कानून काफी सख्त इसलिए उद्योगपति फैक्ट्री लगाने से हतोत्साहित)

43.9.1 EoD: Jan Vishwas (Amendment of Provisions) Act, 2023

It amends 42 Acts to reduce the compliance burden & decriminalization of some offenses. (गैर-संगीन मामलों में जेल नहीं केवल जुर्माना)

Example:	BEFORE	AFTER
Information Technology Act, 2000, disclosing personal information	Jail upto 3 years + fine	No jail. Just fine upto Rs.25 lakhs

In some laws, it increased the amount of fine. (कुछ मामलों में जुर्माना बढ़ाया गया.)

Example:	BEFORE	AFTER
Patents Act, 1970, false claims	Fine upto Rs.1 lakh	Increased to Rs.10 lakhs

Notable laws amended by this bill: (विधेयक द्वारा निम्न कानूनों में इस प्रकार के सुधार किये गए हैं.)

Press and Registration of Books Act 1867, the Boilers Act 1923, Indian Forest Act 1927., Indian Post Office Act, 1898, the Environment (Protection) Act, 1986, the Public Liability Insurance Act, 1991, and the Information Technology Act, 2000, Patents Act, 1970, etc.



43.9.2 🛖 Jan Vishwas 2.0 Bill (2025)- mostly technical stuff not worth mental effort.

- aims to amend Jan Vishwas Act of 2023. Mostly technical stuff. Not worth mental effort.

43.9.3 💰 Budget-2025 on Ease of Doing Biz

- Will now bring up the Jan Vishwas Bill 2.0 to decriminalize more than 100 provisions in various laws.
- Will setup High-Level Committee for Regulatory Reforms will be set up for a review of all non-financial sector regulations, certifications, licenses, and permissions.
- speedy approval of company mergers will be given.
- Investment Friendliness Index of States will be created.

43.10 🏠👤🔑 EASE OF DOING BIZ → SHRAM SUVIDHA PORTAL (2014)

Labour Ministry's webportal to facilitates ease of doing business in following manner:

1. Labour inspector has to upload reports within 48 hrs of inspecting the factory. This reduces the scope of bribery, corruption & tempering of records.
2. Entrepreneur can do online registration & payment of ESIC and EPFO for his workers.
3. Entrepreneur can upload compliance documents under various factory / labour acts.

Separately, Labour Ministry also launched **Samadhan portal** (Software Application for Monitoring and Disposal, Handling of Industrial Disputes) for handling **industrial disputes between workers' trade union vs industrialist.**

43.11 🏠👤🔑👤👤 EOD → CORONA: SUSPENSION OF LABOUR LAWS?

State(s)	majority of the labour laws suspended for (कोरोना वायरस के चलते श्रम कानूनों का स्थगन)
UP	next 3 years (अगले तीन सालों तक श्रम कानूनों में स्थगन!)
Guj, MP	first 1000 days for newly established factories
Some other states	⇒ Small factories will not be subjected to inspection. (निरीक्षण से मुक्ति) ⇒ Factory owners can ↑ the number of working hours per day, but without any clarification on how much extra overtime wages need to be paid to workers. (प्रति दिन काम के घंटों में बढ़ोतरी)

👤👤 Implications: Trade unions And Labour rights activists fear that (नकारात्मक प्रभाव)

- ⇒ Companies will not invest in workers' safety and amenities- washroom, spittoon, creches etc (श्रम कानून स्थगित करने पर फ़ैक्ट्री मालिक मज़दूरों की सुरक्षा और सुविधा को नज़रअंदाज़ करेंगे)
- ⇒ Companies may force workers to work for extra hours, without paying overtime/bonus.(अत्याधिक कार्य बोझ)
- ⇒ Companies may randomly hire and fire workers. Yet workers will not be able to complain to Government officials / courts since the laws are suspended. (मन मुताबिक किसी को नौकरी पर रखना या निकाल देना)
- ⇒ This will undermine workers' right to EPFO, ESIC, payment of bonus, job security and social security. (श्रमिक की सामाजिक सुरक्षा का हनन)

43.11.1 🏠👤🔑👤👤 Corona Suspension Labour laws: Union says NO!!

Constitution → 7th Schedule → Concurrent list → Labour (7 वीं अनुसूची → समवर्ती सूची → श्रम)



- ⇒ **Article 254 (1):** In the concurrent list topics: Parliament's law will prevail over State's law. (केंद्र/संसद के कानून को राज्य के कानून के ऊपर वरीयता मिलेगी)
- ⇒ **Article 254 (2):** In the concurrent list topics: States need to obtain the President's assent to modify their own State law. (In practice, President of India will act as per the advice of PM) (राज्य ने समवर्ती सूची के कानून में सुधार के लिए राष्ट्रपति की अनुमति लेना जरूरी)
- ⇒ So, Union Govt has clarified to Parliament, "we'll not entertain that above reforms by State governments." (केंद्र सरकार ने स्पष्ट किया है कि "हम राज्य सरकारों द्वारा श्रम कानून के स्थगन के प्रस्तावों पर विचार नहीं करेंगे/ अनुमति नहीं देंगे")
- ⇒ In other words, UP will not be allowed to suspend labour laws for 3 years, Madhya Pradesh will not be allowed to suspend it for 1000 days etc.
- ⇒ Further, the Union Government had enacted Inter-State Migrant Workmen Act, 1979 to protect migrant workers. Union may take actions under this law, if / when the situation requires. (अंतर-राज्य प्रवासी श्रमिक अधिनियम)

43.11.2 🚚 Inter-State Migrant Workmen Act, 1979

It requires every contractor to provide following facility to the migrant workers: (a) to ensure regular payment of wages to such workmen; (b) to ensure equal pay for equal work irrespective of sex; (c) to ensure suitable conditions of work (d) to give residential accommodation (e) to give free medical facilities (f) to give protective clothing (g) in case of fatal accident, report to government

MCQ. Which facilities are to be provided by the contractor to Inter-State migrant workers in connection with the work of an establishment to which the Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 is applicable? (EPFO-2023)

- (1) Equal pay for equal work irrespective of sex (2) Provision for suitable residential accommodation (3) Provision for protective clothing (4) Provision for old age benefit scheme (6) Prescribed medical facilities

CODES: (a) 2, 3 and 5 only (b) 2, 4 and 5 only (c) 1, 2, 3 and 5 (d) 1, 3 and 4 only

43.11.3 🧑‍💼 Banking = Public Utility Service (सार्वजनिक उपयोगिता सेवा)

Under the Industrial Disputes Act: workers enjoy a 'statutory right to strike' (औद्योगिक विवाद अधिनियम में मजदूरों को हड़ताल पर जाने का कानूनन हक)

- ⇒ but there are certain restrictions e.g. (1) Government employees (2) Public Utility Services employees are not allowed this right. (e.g. Electricity company, Telecom company etc.) (हालाँकि कुछ श्रमिकों को ये हक नहीं है)
- ⇒ If 'public utility' workers go on strike → it will be deemed "illegal strike" (गेर-कानूनी)
 - = 1) the owner can dismiss such workers from job (नोकरी से निकाल देना)
 - = 2) workers may be required to pay compensation to the owner for business losses.
- ⇒ if bankers go on strike (for salary rise) → Atma-Nirbhar Bharat initiatives related to MSME loans etc. will get delayed → Difficult to revive the economy. So, (बैंक कर्मों भी कोरोना वायरस ने हड़ताल पर चले गए तो भारी समस्या)
- ⇒ 2020-April: Union labour ministry notified that the banking industry will also be treated as Public Utility Service.

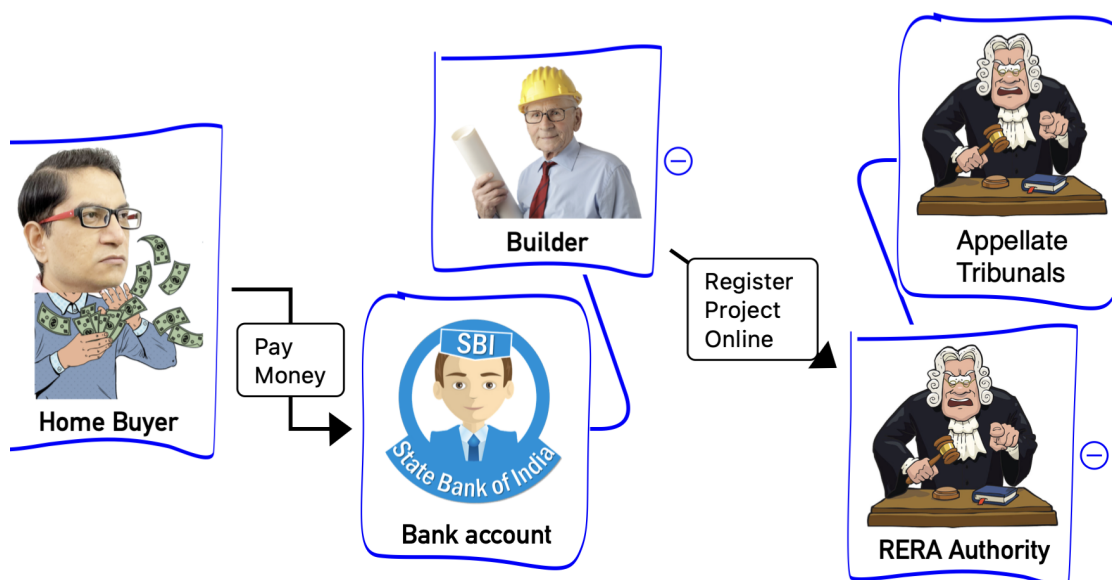


43.12 🏠🛒 EASE OF DOING BIZ → BUILDING HOMES & RUNNING SHOPS

43.12.1 🏠🛒 Ease of doing Biz → Model Shops & Establishments Bill, 2016

- State list subject. Each state has separate Shops and Establishment Act to govern the working conditions, wage payments, leaves and holidays, work hours, etc. (हर राज्य का अलग क़ानून होता है)
- Union govt has circulated Model Shops and Establishments Bill, 2016 to the States & UT with legislatures to adopt / customize it as per their wish. (केंद्र सरकार ने आदर्श दुकानें और प्रतिष्ठान विधेयक राज्य सरकारों को अपनाने के लिए कहा)
- This bill allows the shopkeeper / malls the freedom to operate for 24/7 and 365 days in a year without any restriction on opening/closing time and enables employment of women during night shifts with safety provisions. E.g. 2019-Feb Gujarat adopted this bill with certain modifications. (पूरा दिन पूरी रात पूरा वर्ष दुकान शॉपिंग मॉल खुला रख सकते हैं महिलाओं को भी रात्रि में नौकरी करने की छूट हालाँकि उनकी सुरक्षा का ध्यान रखना होगा)

👤 **Benefits?** 1) ease of doing biz 2) overtime benefit to worker 3) separate workers may be employed in day shift and night shift = more jobs. (रात की पारी में अलग मजदूर को रखेंगे तो = रोज़गार सृजन में मदद)



43.12.2 🏠🛒 Ease of doing Biz → Real Estate Regulation & Development Act (RERA)

रियल एस्टेट (विनियमन और विकास) अधिनियम/ क़ानून

Boss? Ministry of Housing and Urban Poverty Alleviation: आवास और शहरी गरीबी उपशमन

- While “land” is in the State List of the Constitution, but purchase of home / property / real estate = ‘Contract’ in the Concurrent List. (अनुबंध विषय संविधान की समवर्ती सूची में है)
- So, Parliament enacted RERA Act, 2016 to regulate transactions between home/commercial property buyers and builders of the real estate projects, by setting up state level regulatory authorities called Real Estate Regulatory Authorities: रियल एस्टेट विनियामक प्राधिकरण (RERAs) → higher appeal to Real Estate Appellate Tribunals (अपीलीय न्यायाधिकरण).
- First, builder must get his project registered @RERA’s website. including the facilities like fire fighting systems, sewage treatment plants, functional lifts etc. He can’t make advertisements or



accept money from buyers before that registration. (बिल्डर ने मकान बिक्री का विज्ञापन तथा ग्राहकों से पैसा लेने से पहले प्रोजेक्ट को रेरा वेबसाइट पे पंजीकृत करवाना जरूरी)

- Real estate agents dealing in these projects also need to register with RERAs.
- After RERA registration, project details will be published on RERA website where buyer can cross check / file complaints. (मकान का कोई प्रोजेक्ट असली है या फर्जी रेरा की वेबसाइट पर ग्राहक सुनिश्चित कर पाएगा)
- Then builder can accept money from buyers, but in a separate bank account. If the project is not completed in time → builder will have to pay the home/shop/office-buyer's monthly interest on bank loans (if any). RERA can order further relief / refund / arrange another builder to finish the project. (बिल्डर ग्राहकों का पैसा अलग बैंक अकाउंट खोलकर उसमें जमा करें.)
- If defects found in building upto 5 years → builder must repair free of cost.
- **Punishment?** Penalty + jail upto 3 years. (बिल्डर पर जेल और जुर्माने के प्रावधान)

😊 RERA-Good? फायदे	😞 RERA-Challenges? चुनौतियाँ
- RERA registration system is online & time bound → ease of doing business for the Builder as he will not have to make repeated trips / bribes to govt. officials. (भ्रष्टाचार के अवसरों में कमी व्यापार में सुविधा) - Consumer protection. (ग्राहक सुरक्षा) - Since building has to be registered at RERA, money has to be deposited in separate bank account → reduces the opportunities for tax evasion and avoidance; malpractice like selling same home to two buyers etc. (कर चोरी और धाँधली में कमी)	- Since cost of compliance increases, builders may raise home prices (e.g. considering the additional business cost of doing 'free repairs' upto 5 years). बिल्डर द्वारा मकान के दाम बढ़ा दिए जाएंगे क्योंकि पाँच साल कानूनन मुफ्त मरम्मत करनी है - The building projects which were started before RERA act but still building construction is pending → difficult to get justice due to legal loopholes. - Some (non-BJP) state governments have not yet appointed RERA chairman or setup RERA websites.

43.12.3 Real Estate ➡ GRETI Index

India ranked 31st out of 89 countries in the Global Real Estate Transparency Index (GRETI) in 2024. Boss? JLL and LaSalle (foreign companies).

 **Next Handout: EF4B2_HDT_Sectors_MFG_Textile_MSME_Services**



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44 SECTORS OF ECONOMY → MFG → 🧺 TEXTILE & MSME

44.1 👷🧺 TEXTILES MINISTRY (कपड़ा / वस्त्र मंत्रालय)

CPSE	Cotton Corporation of India, Jute Corporation of India, National Textile Corporation Ltd. and others.
Attached offices	Development Commissioners for handloom / handicrafts
Statutory Bodies वैधानिक संस्था	National Jute Board, Central Silk Board, National Institute of Fashion Technology (NIFT)

+ various autonomous bodies, export promotion councils, research associations and advisory boards for apparel, textile, wool, silk, carpet etc.



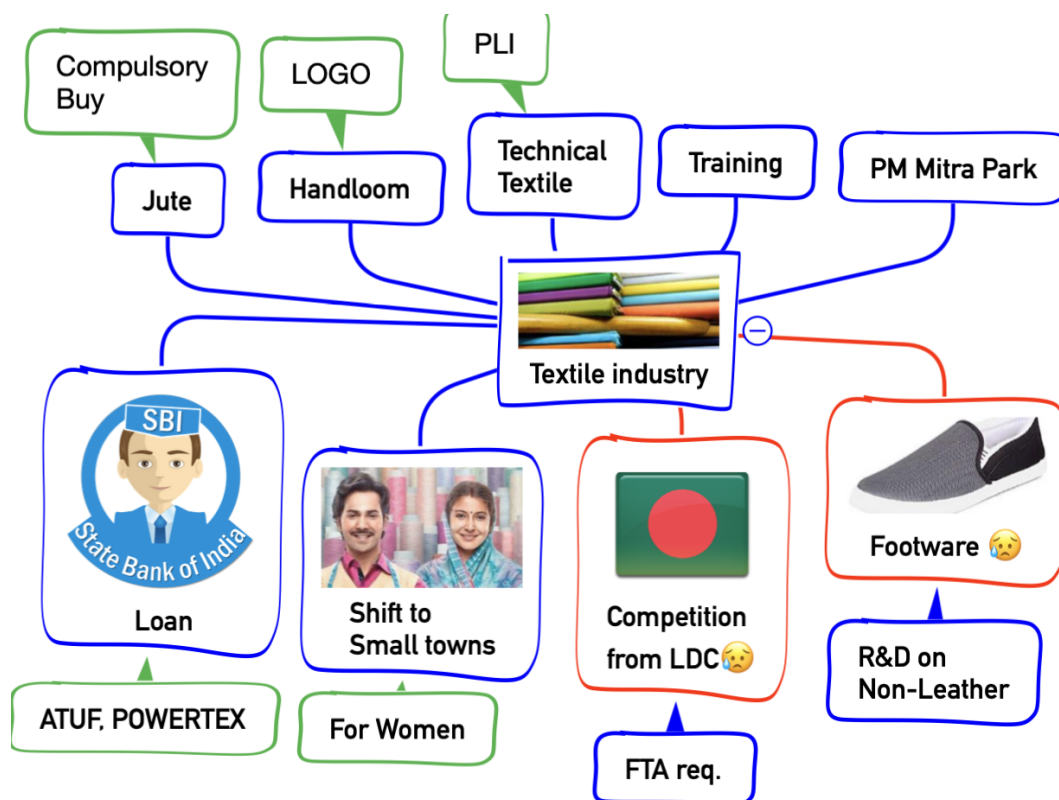
44.1.1 🏭👤👉 Textile Ministry → Notable schemes / initiatives

Indian textile industry, the second largest manufacturer and exporter in the world. Textile sector is the biggest employer after agriculture employing 4.5 crore people directly and another 6 crore people in allied sectors. Some data from 📖ES25: 📌

- 11% of India's manufacturing-GDP comes from Textile.
 - India Rank#2 in cotton, silk, and man-made fibre production.
 - India Rank#6 exporter of textiles and apparel.
1. **Jute Packaging Material (JPM) Act, 1987:** requires the foodgrains and sugar companies to pack "x%" of their produce in jute bags only. "x"=100% for foodgrains and "x"=20% for sugar. This ensures that jute bag industry can survive against the competition of cheap plastic bags. खाद्यान्न और चीनी कंपनियों ने अपना कुछ सामान अनिवार्य रूप से जूट बैग में ही संग्रहित करना होगा ताकि जूट उद्योग को धंधा मिलता रहे वरना तो प्लास्टिक की थैलियों से वो स्पर्धा नहीं कर पाएंगे!
 2. **Technical textiles** = Fishing nets, bullet proof jackets, shoe laces, surgical gowns, parachute etc. items. Technical Textiles are lightest and toughest. They have a variety of applications in automobile, aerospace, architecture and building, occupational therapy, sport and apparel industries etc. (रोज़ाना सामान्य रूप से पहनने के कपड़ों के अलावा वाली चीज़ें)
 - 📖Budget-2020: India imports a technical textiles worth US\$ 16 billion every year. So, to reverse this trend, we'll launch a National Technical Textiles Mission (राष्ट्रीय तकनीकी वस्त्र मिशन) from 2020-21 to 2023-24.
 3. **Project India Size:** Presently the makers of shoe / shirt / pants etc. refer to size charts developed by UK / US standards e.g. Size 44 shirt, XL t-shirt etc. Textile ministry's project aims to develop size charts specific to Indian consumers' measurements.
 4. **India Handloom Brand logo (2015):** It certifies that given handloom product - sari, dress material, bedsheet etc. is 1) Indeed handmade 2) has zero defect 3) has zero negative impact on the environment 4) has authentic Indian traditional design. Such brand logo increases the appeal of Indian handcrafts to (mainly foreign) buyers. To obtain this logo, the weaver/entrepreneur applies online to Textile Ministry → Development Commissioners for handloom. (सुनिश्चित करता है, कि हाथ द्वारा निर्मित, निर्माण में कोई खामी नहीं, पर्यावरण पर कोई नकारात्मक असर नहीं और पारंपरिक भारतीय शैली से बनाया है)
 5. Previously, UPA/Congress had **Mahatma Gandhi Bunkar Bima Yojana (MGBBY)**- although gradually Modi switched those beneficiaries to Pradhan Mantri Suraksha Bima Yojana. ~~So we need not worry about this obscure scheme.~~
 6. 2016: '**Pehchan**' cards given to handicraft artisans- linked with their Aadhaar numbers and bank accounts to help them avail various scheme benefits.
 7. **e-Cocoon App** a mobile application for quality certification in silkworm seed sector.
 8. **E-Dhaga App, BunkarMitra** helpline to advising the weavers on business.
 9. 📖Budget-2021: Total Seven (7) **PRADHAN MANTRI Mega Investment Textiles Parks (PM-MITRA)** will be launched for booting textile exports



- Union govt to give 30% subsidy on project cost. State govt to provide 1000 acre land. such parks will be setup in various states.
- '5F' Formula for Success:- (Cotton/Jute/Silk) Farm to fibre → fibre to factory → factory to fashion → fashion to foreign export.
- Locations: 1. Virudhunagar (Tamil Nadu), 2. Warangal (Telangana), 3. Kalaburagi (Karnataka), 4. Amravati (Maharashtra), 5. Navsari (Gujarat), 6. Dhar (Madhya Pradesh), 7. Lucknow (Uttar Pradesh).



Textile Ministry's Central sector schemes = 100% funded by the union →

10. National Handloom Development Programme → **Weavers Mudra scheme:** Textile ministry gives interest subvention and credit guarantee for the weavers' bank loans upto prescribed limits.
11. Amended Technology Upgradation Funds Scheme (ATUFS): Provides funding to the textile industries to upgrade their machineries. Similarly **Power Tex** scheme for powerlooms.
12. Ambedkar Hasthshilp Vikas Yojana, Handloom Weaver Comprehensive Welfare Scheme (HWCWS) etc. schemes to provide training / skill development / marketing support etc. to the artisans. (कौशलवर्धन तालीम, विपणन सहायता)
13. **2016: Pradhan Mantri Paridhan Rojgar Protsahan Yojana:** Textile ministry pays 'EPFO contribution of employer's side' for the first three years to encourage formal job creation in the textile sector. (Ref: Pillar1D Handout) [कपड़ा मंत्रालय नए मज़दूर के EPFO खाते में पैसा जमा करता था- अब ये योजना बंध हो गयी है]



14. 2017: **Samarth Scheme** for Capacity Building in Textile Sector. Ministry of Skill Development & Entrepreneurship (MSDE) hires public & private sector institutes for giving training to youth for textile sector → Textile ministry pays '*coaching fees*' to those institutes. कौशल विकास के लिए तालीम
15. **2019: Rebate of State and Central taxes and Levies (RoSCTL)** = it is scheme **similar to RODTEP** Scheme (Recall Pillar3A). In RoSCTL textile/garment **exporters** given **Input Tax Credit (ITC)**- till 31st March 2024. How it is similar/different than RODTEP = 🙌 that PHD not important for exam, because not a high profile scheme unlike PM-JAY (REF#1D) or PM-KISAN (REF#4A).

44.1.2 🧵 **Kasturi Cotton Bharat (2022)**

- Boss? jointly Ministry of Textiles, the Cotton Corporation of India, Trade Bodies & Industry
- (1) high quality Indian cotton to get certificate / brand logo.
- (2) supply chain monitoring through blockchain based software platform & QR Codes.

44.1.3 🧵🤖 **Textile problem as per ES25:**

- Complex, non-localised value chain (e.g., cotton moves from Gujarat/MP & Andhra to Tamil Nadu for yarn. then Yarn goes to Maharashtra/Gujarat for making fabric/clothes). (आपूर्ति श्रृंखला जटिल और विखंडित है. कपास से तार से एक राज्य में, कपड़ा दूसरे राज्य में और फिर उसमें से पैट शर्ट तीसरे राज्य में बनता है.)
- Export competition from countries like China and Vietnam
- USA's Tariff barrier, EU's climate/de-forestation related rules. (Ref: Pillar#3C)
- Man-made fibres (MMF): India makes less than 10% of world output. Huge competition from Vietnam, China, and Taiwan. (कृत्रिम रेशे में भारी स्पर्धा)

44.1.4 🐾 **Leather industry- Tamilnadu is great say ES25:**

- Tamilnadu working on both leather and non-leather footwear. Giving jobs to 2 lakh people
- Tamil Nadu has HQs of Central Leather Research Institute, Council for Leather Exports, Footwear Design and Development Institute.

AB CD ? MCQ. (EPFO-2023) Statement I: Govt mandates the packaging of 100% sugar and food grains in diversified jute bags.

Statement II: Govt enacted the Jute Packaging Materials Act, 1987.

- (a) Both I and II are correct and statement II is the correct explanation for statement I
 (b) Both I and II are correct and statement II is not the correct explanation for statement I
 (c) St-I is correct but st-II is incorrect (d) St-I is incorrect but st-II is correct

44.2 🏭 **MFG & SERVICES → MSME → MINISTRY**

Micro, Small & Medium Enterprises, सूक्ष्म , लघु और मध्यम उद्यम मंत्रालय : List not exhaustive →

Govt Company	National Small Industries Corporation Limited (NSIC) – an NBFC company registered under RBI. Helps MSME to get loans. HQ-Delhi, founded in 1955.
Attached offices	Development Commissioner (MSME)
Statutory Bodies	Khadi & Village Industries Commission (KVIC), Coir Board

AB CD MCQ. Find Correct Pairs (IAS-Pre'25)

- I. The National Automotive Board : Ministry of Commerce and Industry
 II. The Coir Board : Ministry of Heavy Industries
 III. The National Centre for Trade Information : Ministry of Micro, Small and Medium Enterprises



Codes: (a) Only one (b) Only two (c) All the three (d) None

Hint: Automotive = Heavy Industries, Coir = MSME, Trade info = Commerce Min.

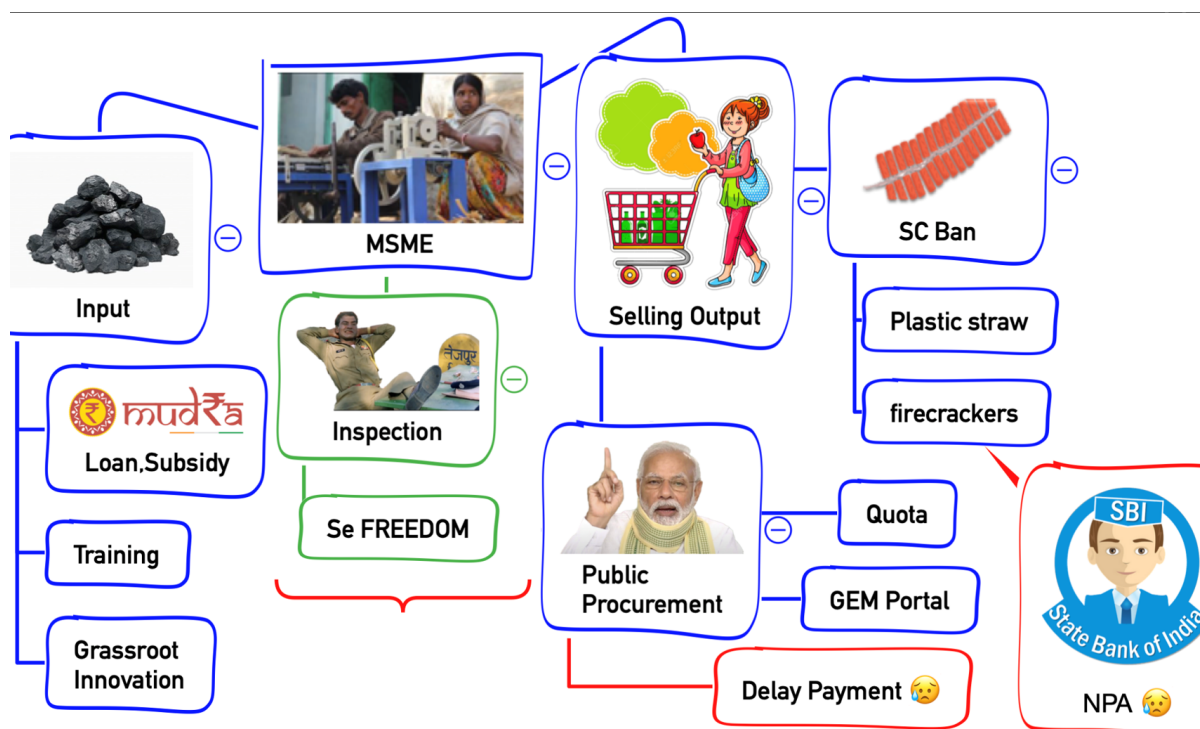
44.3 📌 MSME: TRUCKLOAD OF SCHEME/INITIATIVES



44.3.1 🧑🏫 MSME Ministry → PM's Employment Generation Programme (PMEGP-2008)

Year 2008: ManMohan started → Modi continued it till 31/3/2020. प्रधान मंत्री रोजगार सृजन कार्यक्रम

- **Boss?** MSME Ministry → KVIC. Central Sector Scheme = 100% funded by the union.
- **Beneficiary?** Min. std.8 pass / Self-help-group wanting to setup a NEW micro-enterprises in the non-farm sector.
- Suppose the cost to start a business is 100% then entrepreneurs himself has to contribute 5-10% from his pocket, KVIC gives him 15-35%, rest is given as bank loans. Thus it's a 'Credit linked Subsidy' program.
- These % depend on whether the business is to be started in rural area or urban area, and whether the Entrepreneur is General /SCST/ Women/ PH/Minorities/ Ex-Servicemen/North East.



44.3.2 🧑🏫 MSME Ministry → Public Procurement Order (सार्वजनिक खरीद/अधिप्राप्ति आदेश)

MSME Ministry's Public Procurement Order 2012 requires every Central Ministry/Department/Govt Company to buy/procure annually,

- At least **25%** of their goods & services requirement from Micro and Small Enterprises (MSE). Further,
 - **3%** of that 25% must be procured from MSE owned by **Women** Entrepreneurs: महिला उद्यमियों के स्वामित्व वाले MSE



- 4% of that 25% from SC/ST entrepreneurs.
- Give first purchase preference to local suppliers. स्थानीय विक्रेताओं को प्रथम वरीयता
- Try to ensure that procured goods/services have minimum 50% local content (to encourage Make in India). (सरकारी संस्थान द्वारा खरीदे गए सामान में न्यूनतम 50% घटक स्थानीय होना चाहिए)
- MSME Ministry → 'MSME- Sambandh' webportal monitors the progress.
- MSME Ministry gets power to issue such order / quota under MSME development Act 2006.

44.3.3 🏠🛒👤 Public Procurement → GeM Portal

- Government e-Marketplace (GeM) is an online portal that helps Govt organizations at union, state, PRI/ULB and PSUs to buy common use goods & services in transparent and efficient manner e.g. pen, pencil, stationery. (केंद्र, राज्य और स्थानीय संस्थान ऑनलाइन खरीदी कर सके ऐसा पोर्टल)
- Verified sellers list products in this portal → Govt organizations buy it online from here. Ensures transparency, efficiency, cost saving (compared to individual organization giving newspaper ads inviting tenders).
- **Boss?** Commerce Ministry's not-for-profit company named 'GeM Special purpose vehicle (SPV)'. (खास उद्देश्य से बनाई गई कंपनी)
- **SWAYATT** is Commerce Ministry's initiative to promote Start-ups, Women and Youth entrepreneurs through GeM portal. (महिला और नौजवान उद्यमियों को इस पोर्टल में पंजीकृत करना)
- 📖 ES22: Wrote a very lengthy case study-commentary on GEM Portal is 'bahut-mahaan' (very great). But for General Studies = Not very IMP. If Public Administration optional → Read from Economic Survey 2021-22 (published in Jan-2022) Ch.02: Fiscal Development Page 73 onwards. (उसने लंबी कहानी तो लिखी है लेकिन मुझे परीक्षा के लिए कुछ खास मज़ा नहि आया, सिवाय के लोक-प्रशासन आपका वैकल्पिक विषय हो)

44.3.4 🌐 One District One Product (ODOP: 2021)

- ⇒ By Ministry of Commerce with the help of other union and state government organisations
- ⇒ To convert each District in Export Hub by identifying products with export potential, e.g. Rajasthan → Blue Pottery (Jaipur). Through marketing / branding / logistic / infrastructure support, incubation centres, training, research and development (R&D). प्रत्येक ज़िले में से किसी एक खास चीज़ के निर्यात के लिए मदद

44.3.5 🧑👤🔑🏠 MSME → Atma-Nirbhar Funding/Schemes (2020, Corona)

📄 Ref **Pillar#1D3** *handout for more details*

Scheme	What has been done in Atma-Nirbhar?
Loans: MUDRA	2% interest subvention on Shishu Loans(More in 📄 Pillar#1D3)
Loans: MSME Non-NPA borrower	⇒ Emergency Credit Line Guarantee Scheme (ECLGS: आपातकालीन क्रेडिट लाइन गारंटी योजना). ⇒ Guaranteed Emergency Credit Line (GECL) facility. Both are synonyms of the same scheme.
Loans: MSME NPA	⇒ Subordinate Debt (गौण ऋण)



Scheme	What has been done in Atma-Nirbhar?
borrower	⇒ [उनके लिए, जिनकी पुरानी लोन पहले ही अनअर्जक परिसंपत्ति घोषित हो चुकी है]
Equity	⇒ infusion via Fund of Funds
Protection from foreign players in public procurement	In Government procurement tenders up to ₹200 crore. → Foreign (global) companies will not be allowed to apply. (सरकारी खरीद के 200 करोड़ तक के टेंडर में विदेशी कंपनियों को अर्जी डालने पर प्रतिबंध.)
Swavalamban Challenge Fund (SCF)	₹1 to 10 crore to non-profit organisations/educational institutions/social startups for promoting entrepreneurship, financial inclusion, green technologies etc. Boss? SIDBI with help of UK-based org.

44.3.6 🏭👤 Ubharte Sitaare Programme for MSME Exporters (USP: 2021-Aug)

- ⇒ Alternative investment fund by EXIM Bank and SIDBI. (More in 📄 Pillar#1B1 Classification)
- ⇒ To help export-oriented MSMEs (in goods and services sector).
- ⇒ To give them funding (debt and equity), technological support. [एक वैकल्पिक निवेश फंड जिससे निर्यात करने वाले लघु उद्योगों को मदद]

44.3.7 🧵👤 PM Vishwakarma Scheme (2023-Sept)



refer to Pillar1D: Financial inclusion.

44.4 🏭👤 MSME MINISTRY → MISC. INITIATIVES

44.4.1 🏭👤 MSME Ministry → ASPIRE (2015)

- A Scheme for Promoting Innovation, Rural Industry and Entrepreneurship.
- **Boss?** MSME Ministry. Central Sector Scheme = 100% funded by the union.
- To encourage Innovation & Rural Entrepreneurship, this scheme will set up Business Incubators and Startup fund for agro-based industry.

44.4.2 🏭👤 MSME Ministry → Solar Charkha Mission (2018)

- **Boss?** MSME Ministry → KVIC. Central Sector Scheme = 100% funded by the union.
- KVIC to setup solar charkha clusters in rural areas via loan-subsidy, training, awareness.

44.4.3 🏭👤 MSME Ministry → Gramodyog Vikas Yojana

- ⇒ MSME Ministry → Khadi and Village Industries Commission (KVIC) → Gramodyog Vikas Yojana → For the development of village industries
- ⇒ 2020-June: Launched a pilot project for mfg. Agarbatti (Incense Sticks). Artists to be given Automatic Agarbatti making machines etc.

44.4.4 🏭👤 MSME Ministry → Portals / Helplines

UAM Portal/ Udyam Assist portal	- To register an enterprise as MSME, its entrepreneur has to fill up an Udyog Aadhaar Memorandum(UAM)-free online form to MSME ministry's Udyam Registration webportal using Aadhar number.
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2015 onwards	(Previously another form called 'Entrepreneurs' Memorandum'.) - He/she'll be allotted a unique Udyog Aadhar id linked with his personal Aadhar number. यहाँ पर आधार कार्ड के साथ पंजीकरण करवाना है - Udyog Aadhar id helps applying for Govt's MSME schemes - Retail traders and wholesale traders can also register as MSMEs in "Udyam Portal". but they are not eligible for all MSME-schemes. However, they are eligible Priority Sector Lending. (REF: Pillar1A2) (खुदरा व्यापारी और थोक व्यापारी भी एमएसएमई के रूप में पंजीकृत हो सकते हैं लेकिन उन्हें एमएसएमई के लिए बनी सारी योजनाओं के लाभ नहीं मिलते हैं। हालाँकि रिज़र्व बैंक के प्राथमिक क्षेत्र के ऋण मानक कोटे के लोन उन्हें मिलते हैं।)
CHAMPIONS WebPortal (2020-May)	- MSME's Complaint & Grievances Redressal (शिकायत निवारण) - Support for various schemes (योजनाओं द्वारा मदद) - It's a Hub & Spoke Model. Hub = New Delhi main office of MSME Ministry. Spokes = its field offices, state govts etc. (पहिए का केंद्र और छड़)
MSME Samadhaan	- MSME Act, 2006 requires State Governments to establish Micro and Small Enterprise Facilitation Council (MSEFC). - If a buyer (Govt org @Union/State) is not paying money to MSME supplier within specified time limit, then MSEFC can order him to pay money with interest rate. - MSME Ministry's 'MSME SAMADHAAN' webportal helps filing online complaint for delayed payments. वक्त भी भुगतान नहीं हो रहा तो शिकायत 👛 Budget-2022: When seller gives bill → 75% payment to be released within 10 days by Govt. with Online bill tracking system
MSME- Sampark	MSME Ministry's webportal to connect jobseekers (passed out trainees / students of MSME Technology Centres) to recruiters (various companies).
Udyam Sangam, Udyam Samvad	MSME ministry organizes such Workshops, Conventions, Mela usually at Delhi.
Udyami Mitra Yojana	Toll-free helpline mainly to help the first generation entrepreneurs. पहली पीढ़ी के उद्यमियों को सलाह मशवरा मदद तालीम के लिए हेल्पलाइन है
Udyami Bharat	SEMINAR/workshop in Delhi (2022) launched by PM.

44.4.5 🧑🏫💰 MSME: Funds for their development

India Inclusive Innovation Fund	For promoting grassroot innovations. गाँव में, ज़मीनी स्तर पर नवाचार को प्रोत्साहन के लिए
SFURTI	Scheme of Fund for Regeneration of Traditional Industries → to setup clusters of Khadi, Coir, Handicraft; & help the entrepreneurs inside them.
CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) funded by MSME Ministry and SIDBI to help the MSE Entrepreneurs get loans without collateral from the banks. (📄 Ref:Pill1D: Financial Inclusion) 👛 Budget-2022: we'll give more funding in this.



RAMP by World Bank	by World Bank's International Bank for Reconstruction and Development (IBRD) for helping MSME. (भारत के लघु उद्योगों की मदद के लिए विश्व बैंक का ramp प्रोग्राम)
Self-Reliant India Fund	MSME Ministry's fund of funds to give equity (share) investment to MSME companies. Also called SRI Fund . Operated by NSIC Venture Capital Fund

44.4.6 🧑🏠🏭 ATMANIRBHAR: MSME Definition Changed by Govt Ref1D

Ref 1D for new Definitions of MSME.

Area	Number as 📄ES23 and 📄ES25:
Registered Units	2023: 1.32 Crore out of them 1.27 crore are Micro Enterprises
Jobs	2024: MSMEs employing 23.24 crore individuals.
Exports	over ₹9 lakh crore.

45 🧑🏠💻📀 SERVICE SECTOR (सेवा क्षेत्र)

45.1.1 🏗️ Service Sector- 3/4/5 level (तृतीयक /चतुर्थक /पंचम)

🏗️ Level	examples
🏗️ Tertiary	trade/commerce, transport, communication, banking finance, real estate
🏗️ Quaternary	(1) information /data based (2) research and development (R&D) Based
🏗️ Quinary	- Specialists, Consultants, Decision Markers, Policy formulators - They focus on the creation, re-arrangement and interpretation of new and existing ideas; data interpretation, use/evaluation of new technologies - These workers are called 'gold collar' professions.

MCQ. Find correct about service sector? (UPSC-EPFO-2023)

- Retail trade falls under tertiary activity.
- Research and Development based activity comes under quaternary activity.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

45.1.2 💬 MBA-Terms: Outsourcing vs Home-shoring

Outsourcing	Home-shoring / work from home
Outsourcing or contracting out is a firm giving work to an outside agency to improve efficiency and to reduce costs.	practice of employing people to work from their homes rather than in a company's office or factory.
e.g. Apple phones being made by Tata; American banks' Call Center operation operations handled by Indian company in Bengaluru.	e.g. Infosys company telling Infosys employee to coding-work from home. To reduce Office space / maintenance cost.
Helps reducing cost of running company	same as left cell. Employee not coming to office= electricity bill saved

45.1.3 💬 MBA-Terms: Outsourcing- BPO vs KPO

BPO	KPO
-----	-----



Business Process Outsourcing (BPO)	Knowledge Process Outsourcing (KPO)
basic level customer support, data entry.	advance level e.g. 1) Hollywood producer using Indian VFX artists based in India, 2) American pharma/legal firms using Indian writers based in India, 3) USA coaching institute using Indian online teachers for SAT coaching

45.1.4 🇮🇳 Service sector data from 📖 ES25:

Service sector	Global-GDP	Indian-GDP
% of GDP	62%	FY14 (50.6%) → FY25 (55%)↑↑

- 2023: World's Top Service exporters: 1st Rank- USA (13%), Britain (7.4%), Germany (5.5%), Ireland|China|France (5% each), #7th Rank- India (4.3%)
- Service sector gives jobs to 30% Indian workers
- The states like Meghalaya, Uttarakhand, and Mizoram have more than 33% of state GSDP coming from trade, repair, hotels, and restaurants - partly because of tourism.

45.1.5 🧑🏫 Servicification of the industrial sector - 📖 ES25:

Services	Mfg of Physical products
Clinical Trial, Medical Writing	Pharmaceuticals
Fashion design	Garments
Online customer support	cars, laptops, etc.
Selling product as a 'subscription service'	e.g. Maruti Suzuki's subscription-based car ownership

- It means using services in manufacturing, production and post-production value addition.
- Services contribute **indirectly to the GDP** through the servicification of manufacturing. Example

45.1.6 🧑🏫 Service Sector ➡ Public Administration - 📖 ES25:

- Public Administration services provided by the government employees = is also part of the GDP.
- But Big/rich states, large-scale industrialization, mining and commercial services will generate more % of GDP. So, Pubad will contribute very low % of GDP.
- Whereas in North eastern/hill states/poor States, the pubad % will appear high. Because of low level of industrialisation. (उत्तर पूर्व के राज्यों में लोक-प्रशासन का जीडीपी में प्रतिशत हिस्सा ज़्यादा रहता है, अन्य बड़े / अमीर राज्यों के मुकाबले।)
- Iss pe 📖 ES25 has given lot of 'gyan' with lots of charts. But for Prelims the utility is very low.

Homework? for upsc interview Q on your state, plz refer to 📖 ES25, ch8, page 237 onwards.

45.1.7 🧑🏫📖📡🧑🏫 Knowledge economy of India: Threats/Challenges

Knowledge economy is primarily based on intangible assets such as the value of its workers' knowledge and IPR. e.g. Space, Pharma, IT, e-learning etc. ज्ञान अर्थव्यवस्था मुख्य रूप से अमूर्त संपत्ति जैसे कि इसके श्रमिकों के ज्ञान या बौद्धिक संपदा पर आधारित होती है.

🧑🏫 Challenges to the knowledge economy of India (भारत के लिए चुनौतियां)

⇒ China is providing tough competition in these sectors. चीन भारत को कांटे की टक्कर/स्पर्धा दे रहा है



- ⇒ Philippines Indonesia etc Asian economies offering graduates with command over english, data processing, IT, engineering to MNCs. अन्य एशियाई देशों में भी अंग्रेजी तथा कंप्यूटर के विशेषज्ञ की संख्या बढ़ रही है
- ⇒ Space Sector grew because of Govt support to ISRO- But same is missing in case of Electronics/hardware. सरकार के इसरो को मदद के चलते, भारत अवकाश क्षेत्र में आगे, लेकिन सरकार द्वारा इलेक्ट्रॉनिक और हार्डवेयर क्षेत्र को इस प्रकार की मदद काफी वर्षों तक नहीं मिली
- ⇒ Pharma sector growth driven by private sector initiative. But they're not spending an adequate amount of profits on research and development- as pointed out by the economic survey. (औषधि क्षेत्रों में निजी क्षेत्र की कंपनियों द्वारा उत्पादन वृद्धि तो हुई, लेकिन संशोधन-विकास में पर्याप्त रूप से पैसा खर्च नहीं कर रहे, जुगाड़ मानसिकता.)
- ⇒ Brain drain of talented Indians to foreign nations since 1970s. भारत के प्रतिभावान युवाओं का विदेश गमन

45.1.8 🌅 Sunrise sector in 🛍️ Budget-2022 (सूर्योदय क्षेत्र: जहाँ तेज़ वृद्धि की संभावना)

- A sunrise industry is a new business sector showing potential for rapid growth.

- 🛍️ Budget-2022: we'll help following Sunrise Sectors: Artificial Intelligence, Geospatial Systems and Drones, Semiconductor and its eco-system, Space Economy, Genomics and Pharmaceuticals, Green Energy, and Clean Mobility Systems. (इन सब सूर्योदय क्षेत्रों को नया बजट मदद करेगा.)

45.2 🛒 SERVICE SECTOR → E-COMMERCE (ई वाणिज्य / ऑनलाइन बिक्री)



Flipkart



45.2.1 💬 E-Commerce vs E-Business (ई-वाणिज्य बनाम ई-कारोबार)

- **E-commerce** = act of buying and selling via digital platform. It is a sub-set of E-Business.
- **E-Business** = It covers wider varieties of areas such as e-commerce, production, supply, management, product, development, accounting, finance, employee training, human resource management.

45.2.2 💬 E-Commerce: types of transactions

Type	Example
B2B	business- to-business / Intra-B Commerce: e.g. Infosys developing e-banking website for SBI.
B2G	business to government e.g. Infosys developing GST portal.
B2C	Business to customer e.g. Amazon selling goods to you and me.
C2B	Customer raising ticket on Dell company website for laptop warranty claim.
C2C	consumer to consumer e.g. 1) Customer selling used or second-hands books/products via Olx.com 2) car driver stuck in traffic is notifying Google maps to alert other users about traffic jam.

45.2.3 🛒 E-Commerce Challenges

Marketplace E-Commerce companies were engaging in **Anti-Competitive** (स्पर्धा विरोधी) behaviour e.g.



- 🤖 Flipkart / Amazon would enter in **exclusive partnerships** with top smartphone brands such as Xiaomi and Oppo- Prohibiting them from selling their mobile phones through other online or offline channels → offline mobile shops suffer.
- 🤖 Flipkart / Amazon run “**Marketplace E-Commerce model**” i.e. they allow any merchant to list their products on their website. However they will also have their own merchant company (e.g. Amazon’s cloudtail pvt ltd) who would offer deep discounts / cashbacks to the customers. → Other online merchants on the same web platform will suffer. Offline brick and mortar shop merchants (=kiranawalla) will also suffer.
- 2021: Competition Commission of India [a statutory body under the Corporate Affairs ministry] is investigating this. However Flipkart Amazon went to court to stop investigation but uski ball-by-ball news commentary not imp. Wait till final outcome. भारतीय प्रतिस्पर्धा आयोग जांच कर रहा है

45.2.4 🛒 E-commerce → Term: Predatory pricing

- It is the unethical business practice of selling product for unrealistically low price to eliminate the competitors.
- 2024-Aug: Commerce Minister accused e-commerce websites of doing Predatory pricing & they’re harming more than 10 million retail stores in cities esp. in the consumer electronics and apparel.

45.2.5 🛒 E-Commerce Rules 2019-Feb

Who? Consumer Affairs ministry. उपभोक्ता मामलों का मंत्रालय

How? using the powers under Consumer Protection Act 2019. उपभोक्ता संरक्षण अधिनियम(Ref:Pill4)

- ⇒ 🖐️ Such E-commerce companies can’t have exclusive agreements with sellers E.g. Flipkart can’t compel Xiaomi ‘not to’ sell Mi phones on other online/offline platforms.(बिक्रेताओं के साथ अनन्य समझौते).
- ⇒ 🖐️ Tightened the technical norms related to cashback and discounts. (कैशबैक और छूट से संबंधित तकनीकी मानदंडों को सख्त किया)
- ⇒ 🖐️ Tightened norms on E-commerce company who were using their own subsidiary companies/shell companies as “Online Merchants” to sell products at deep discount (सहायक कंपनियों द्वारा गहरी छूट पर सामान बेचने पर सख्ती की गयी).
- ⇒ E-commerce companies/E-Tailers must mention the 'expiry date', 'country of origin' of goods, its policies on return, refund, exchange, warranty and guarantee, delivery, shipment, cancellation policy. (ई विक्रेता ने समाप्ति तिथि, उत्पादन का मूल देश इत्यादि की जानकारी देनी होगी)
- ⇒ Must display sellers' geographic address, customer care number, rating etc.

🖐️ Plus many other technical norms. Poor cost:benefit in chasing all them. In MCQs, just apply logical reasoning that rules are more consumer friendly, and imposes more responsibilities on e-tailer/seller. Accordingly do logical 50:50 elimination. For example, “*E-tailer must not post fake reviews by creating fake accounts*”.= Yes this statement is correct.



45.2.6 🛒 E-Commerce: CONSUMER PROTECTION (E-COMMERCE) RULES, 2020

Using powers of the Consumer Protection Act → govt notified Consumer Protection (E-Commerce) Rules, 2020 with following features: <Note: For easier understanding, I've used word Amazon instead of e-commerce so u can visualize quickly.>

- ⇒ 1) fall-back liability clause= e-commerce entities (e.g. Amazon) will be liable in case suppliers on the platform fail to deliver the goods to consumers, causing customer a loss. (खरीदा हुआ सामान न मिलने पर यदि ग्राहक का नुकसान होता है तो amazon ने मुआवज़ा देना होगा)
- ⇒ 2) Amazon need to identify goods based on their country of origin. (माल कौन से देश से आया है स्पष्ट रूप से बताना होगा)
- ⇒ 3) when customer browsing through the store, amazon need to provide suggestions to customers (about the product listed by Indian sellers) to ensure “fair opportunity” for domestic sellers. (ग्राहक कोई चीज़ ढूँढ रहा है तब एमेज़ोन ने उसे भारतीय विक्रेताओं के उत्पादों का सुझाव देना होगा)
- ⇒ 4) Amazon cannot misuse its dominant position to dictate the commission rates on seller else consumer protection authority will punish Amazon. (विक्रेताओं से कितना कमीशन एमेज़ोन माँग सकता है उस पर कुछ सीमाएं)
- ⇒ 5) Amazon cannot share the personal data of the customer with third party without the approval of customer. (ग्राहक की अनुमति के बिना अमेज़ॉन उसका निजी डाटा किसी तीसरी पार्टी के साथ साझा नहीं कर सकता)

45.2.7 🛒🧐 Criticism against E-COMMERCE) RULES: (आलोचना)

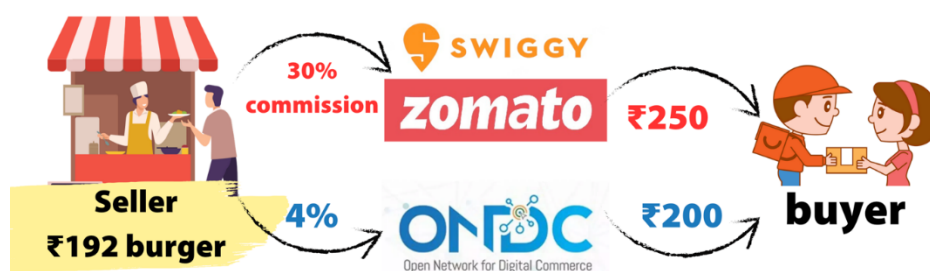
- ⇒ 1) foreign companies are angry that Indian govt is pushing “Make in India” campaign being pushed through the Consumer Protection Act. If domestic manufacturers are competitive, consumers will automatically buy Indian products (विदेशी कंपनियां नाराज़ हैं की ज़बरदस्ती एमेज़ोन पर दबाव डाला जा रहा है कि वो भारतीय चीज़ों का सुझाव दे। अगर भारतीय कंपनियां अच्छा उत्पादन बनाएंगी तो ग्राहक अपने आप खरीद लेंगे)
- ⇒ 2) consumer protection authority trying to encroach upon the domain of Competition Commission of India (भारतीय प्रतिस्पर्धा आयोग की सत्ता पर ग्राहक सुरक्षा प्राधिकरण द्वारा अतिक्रमण हो रहा है)
- ⇒ 3) Data sharing related rules need to be covered under the Personal Data Protection Bill and not the Consumer Protection Act. (निजी डेटा का क्या करना चाहिए उसके लिए अलग क़ानून बन रहा है तो यहाँ ग्राहक सुरक्षा में उसका ज़िक्र करना ज़रूरी नहीं था)

AB CD MCQ. Find correct about foreign-owned e-commerce firms operating in India? (Prelims-2022)

1. They can sell their own goods in addition to offering their platforms as market-places.
2. The degree to which they can own big sellers on their platforms is limited.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

45.2.8 🛒 E-Commerce: Open Network for Digital Commerce (ONDC):



	Swiggy / Zomato app	ONDC
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	Swiggy / Zomato app	ONDC
Platform Fees charged by App on sellers	25-30%-40%	2-4-10% depending on product.
Example Price of McDonald Burger	₹250	₹200



duo-poly

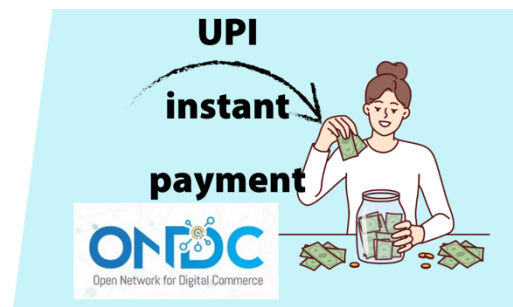


- ⇒ ONDC, set up as a non-profit company by Commerce Ministry's DPIIT. (2021)
- ⇒ Open Network for Digital Commerce (ONDC): is a digital platform to connect buyers and sellers. (खरीदारों/ग्राहक और विक्रेताओं को जोड़ने के लिए डिजिटल प्लेटफॉर्म/मंच)
- ⇒ Open source protocol / structure. To prevent exploitation of seller by e-commerce giants (Flipkart/Amazon).

😞 BEFORE UPI/BHIM: (REF: Pillar1A1)	😄 AFTER UPI/BHIM
Customer paid money to Seller via Paytm → PayTM charged fees before seller could transfer money to bank account.	money directly transferred to sellers bank account without such fees. = seller's life becomes easier.
seller kept product price high, to cover the fees of Paytm.	Seller may reduce the product price to attract more customers because now he does not have to pay fees to Paytm.

Similarly, ONDC will make the life easier for seller and buyer.

- it will help ending the duopoly of Amazon-Flipkart; Ola-Uber; Swiggy-Zomato.
- ONDC is product agnostic (i.e. anything can be bought and sold. Presently Amazon App itself can't book restaurant-food or taxi, u need to install another App Swiggy/Ola.) (उत्पाद अज्ञेयवादी)





45.2.9 💡 ONDC -observations by 📄 ES25:

- ONDC recorded more than 14 million transactions across 1100+ cities. (2024-Nov)
- 7 lakh+ sellers and service providers are active on the ONDC
- ONDC, in collaboration with Bhashini, an AI-driven language translation tool, launched Saarthi, a reference app to help businesses create buyer-side apps.
- ONDC made affordable onions available across the NCR region.

📄 MCQ. Find correct about ONDC correct? (CDS-2025-1)

- 1) It was launched in 2021 by the Govt of India. 2) Its aim is to democratize e-commerce in India.
3) India has surpassed China in 2024 in e-retail penetration.

Codes : (a) 1, 2 and 3 (b) 1 and 2 only (c) 2 and 3 only (d) 3 only

45.2.10 E-Commerce Rules vs ONDC

	E-Commerce Rules	Open Network for Digital Commerce (ONDC):
WHO?	By Ministry of Consumer Affairs	By Commerce Ministry
Objective ?	Mainly to protect buyers [very few points dedicated to protect sellers]	To protect both buyers and sellers

😞 Moral Outrage: why not merge above two things? ✅ Ans. Send your suggestions to PM.

45.2.11 🚚🛒 Q-Commerce / Quick Commerce

Type of Commerce	E-commerce	Q-commerce
Delivery Time Range	1-3 days or longer	15 minutes to 1 hour
Examples	Amazon, Flipkart	Dunzo, Swiggy Instamart, Blinkit, Zepto

45.2.12 E-Commerce: Anti Fake review framework by BIS

- ⇒ Who? BIS (Bureau of Indian Standards, Statutory body under Ministry of Consumer Affairs).
 ⇒ What? formed technical guidelines to combat fake product reviews on e-commerce websites. Technically called "Indian Standard (IS) 19000:2022" (फर्जी रिव्यू के खिलाफ दिशा निर्देश)
 ⇒ e.g. e-commerce company should 1) verify/ban fake reviewers thru email / OTP etc. 2) ban merchants if they give money to people for giving fake positive reviews.
 ⇒ This is not a legal/judicial order. It is voluntary for the e-commerce company to adopt this framework (यह स्वैच्छिक है, कानूनन रूप से अनिवार्य नहीं)

45.2.13 🤝 M&A - CCI threshold

- Mergers and acquisitions (M&As) e.g. Sun Pharma acquired Ranbaxy, Tata is merging Vistara & Air India; FB acquires WhatsApp, Instagram.
- Problem? M&A can cause : (1) Misuse of personal data. (2) cartelisation, monopoly.
- Solution? Competition Act 2002 → Govt amendment in 2023.

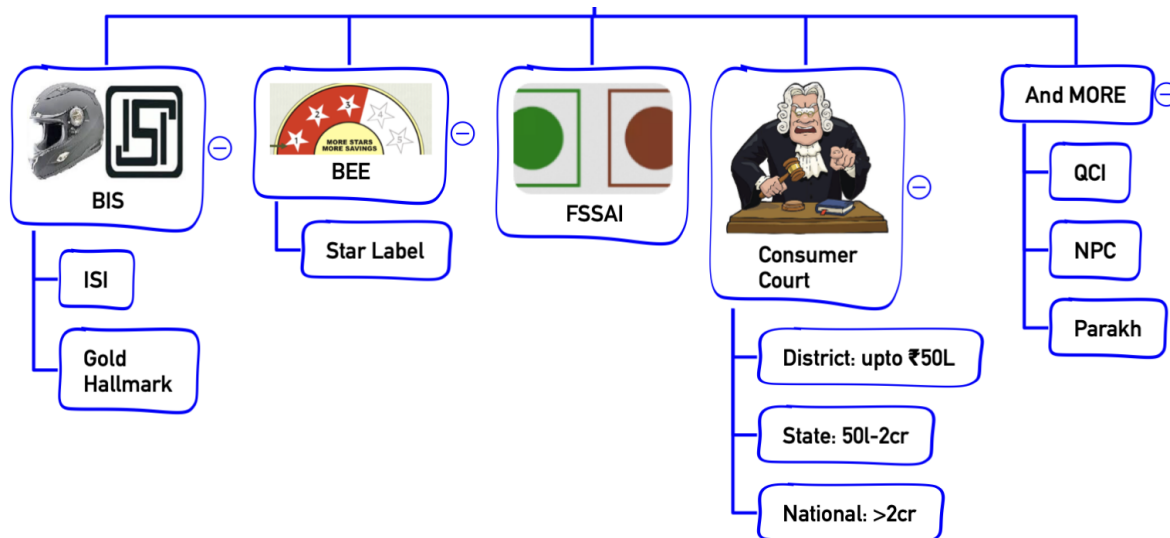
Before 2023 amendment	after 2023'Amendment
no clarity	CCI approval will be required for M&A - (1) IF deal value exceeds Rs 2,000 crore or - (2) IF the target company has substantial biz. operations in India.



45.2.14 → Retail Trade ☒ Itinerant retailers & cheap jacks (घुमंतू व्यापारी)

- Itinerant traders do not have a fixed place of business to operate from. They keep on moving with their wares from street to street or place to place, in search of customers. e.g. peddler, hawkers, Cheap jacks etc. (उनका कोई एक स्थाई मुकाम नहीं होता ग्राहक की तलाश में इधर-उधर भटकते रहते हैं)
- Cheap jacks = a type of itinerant traders but with temporary shops. e.g. repair of watches, shoes, buckets; street-side hair-saloon etc.

45.3 🧑🏫 → MFG → BODIES FOR QUALITY STANDARDS (गुणवत्ता के मानक)



45.3.1 🧑🏫 → Consumer Affairs Ministry → Statutory → BIS (1986)

- ⇒ Bureau of Indian Standards (भारतीय मानकों का कार्यालय /ब्यूरो) is the apex regulator of standardization and quality certification of goods.
- ⇒ It allows the manufacturer to use Indian Standards Institute (ISI) mark on their goods (e.g. helmet, gas stove, pressure cooker etc.) if they meet BIS's standards.
- ⇒ BIS also has separate hallmark license system for gold and silver jewellery.
- ⇒ BIS is India's nodal for International organisation for standardization (ISO-standards), WTO's Technical Barriers to Trade (TBT) agreement. (More in 📄 Pillar#3B:WTO)

45.3.1.1 🧑🏫: 🏆 BIS & Gold -Silver Hallmarking (स्वर्ण तथा चाँदी हॉलमार्किंग के लिए नियम I)



- ⇒ Bureau of Indian Standards (BIS, Statutory body under Ministry of Consumer Affairs). → Gold Hallmarking and Silver hallmarking (to certify purity of metal)
- ⇒ Year 2000: BIS started for Gold in 3 grades viz. 14 carat, 18 carat and 22 carat.
- ⇒ So far it was voluntary (=Non compulsory) BUT From June 2021, Hallmarking became compulsory for Gold & Silver- with following rules:
 -) Jewellers with annual turnover upto Rs. 40 lac will be exempted from mandatory hallmarking छोटे जौहरियों पर ये नियम अनिवार्य नहीं।



- 2) Jewellers can continue to buy back old gold jewellery without hallmark from consumer. यदि ग्राहक बिना हॉलमार्किंग का भी सोना बेचने आए तो जोहरी उसे खरीद सकता है।

⇒ 🏆 **Direct benefit:** customer assured of gold quality. ग्राहकों के लिए स्वर्ण गुणवत्ता सुनिश्चित होगी

⇒ 🏆 **Hidden benefit:** Since big Jewellers must register & get their products certified so tax authorities get data mining opportunities about how much gold items traded, whether jeweller depositing proportionate amount of taxes or evading it? Etc. परोक्ष रूप से कर चोरी पर लगाम.

45.3.2 ❄️🍦 **BIS certificate for Mitticool refrigerator (2022)**

- Mitticool refrigerator' developed by Mansukh Bhai Prajapati from Gujarat
- Operates on the principle of **evaporative cooling**.
- It is made from clay to store vegetables, fruits, milk, and also for cooling water. It provides natural coolness to foodstuffs stored in it without requiring any electricity.
- BIS developed an Indian Standards /regulation for such "**clay based non-electric cooling cabinet**" - e.g. what type of clay is to be used, product dimension, temperature levels.
- This standard helps BIS in fulfilling 6 out of 17 United Nations Sustainable Development Goals (SDGs) like No poverty, Zero hunger, Gender equality, Affordable and clean energy, Industry, innovation, and infrastructure, and Responsible consumption and production.

AB CD MCQ. Which of the following statements regarding the clay based non-electric cooling cabinet, for which the Bureau of Indian Standards (BIS) has recently developed an Indian Standard (IS 17693: 2022), is/are correct? (EPFO-2023)

- 1) It is a natural refrigerator to store vegetables, fruits, milk and also for cooling water.
 - 2) This standard helps BIS in fulfilling 6 out of 17 United Nations Sustainable Development Goals.
- Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

► **NOTE: I am adding this note, only after UPSC-EPFO asked about it.** However, **in real life, not possible** to remember or keep track of all such random press notes on PIB. If you do not know, then better to skip and move to next question. *Isko EGO pe nahi lena chaahiye ki mere ko harr topic pe zhandaa leke PhD karni hai and Sherlock Holmes ban jaana hai.*

45.3.3 🧑🏠♂️ **Power Ministry → Statutory → BEE (2001-02)**

⇒ Bureau of Energy Efficiency (ऊर्जा दक्षता ब्यूरो) setup under Energy Conservation Act, 2001.

⇒ **BEE's Energy 'Star labeling'** logos help consumers decide which electronic appliance is more energy efficient than other brands.

- This labelling compulsory for Air Conditioners, Refrigerators, Tubelight, Color TV, Electric Geysers, Inverter, LED Lamps etc. (अनिवार्य सूची)
- This labelling is voluntary for other appliances like Computers, LPG stoves, ceiling fans- Although this list keeps updating. (स्वैच्छिक सूची)

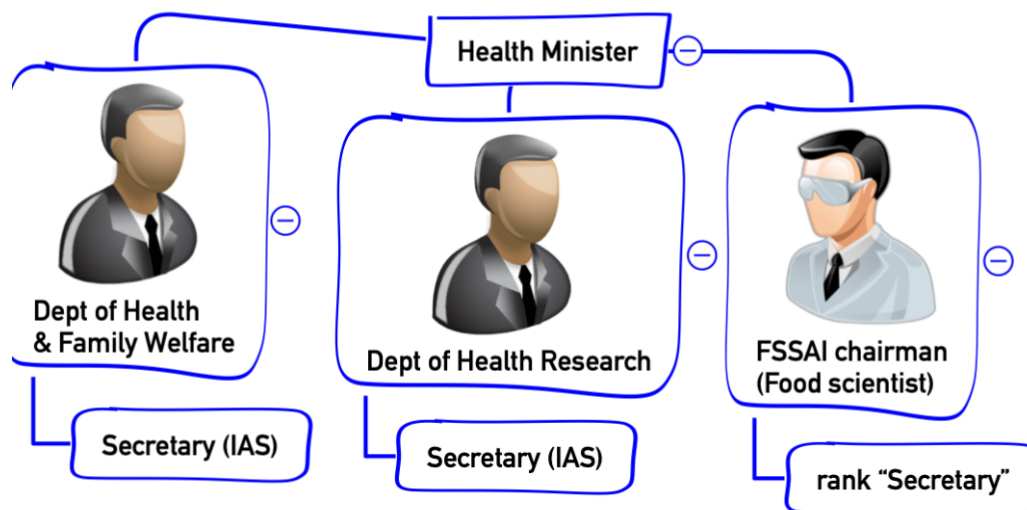
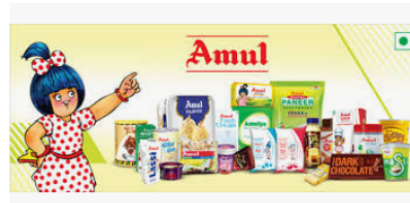
⇒ **BEE's Chiller Star Labelling:** The traditional star labelling program is for consumer appliances for households use. While chiller star labelling related to the big heating, ventilation, and air conditioning devices in the commercial / factory buildings. (औद्योगिक स्तर के शीत यंत्रों के लिए)

⇒ **Separately, EESL's Retrofit of Air-conditioning to improve Indoor Air Quality for Safety and Efficiency (RAISE)** it aims to increase quality and efficiency of AC. RAISE Joint initiative of



Energy Efficiency Services Limited (EESL, a company under Power Ministry) and United States Agency for International Development (USAID) (एयर कंडीशनर की गुणवत्ता और दक्षता बढ़ाने के लिए)

45.3.4 🧑🏃♂️ Health ministry → Statutory → FSSAI (2006)



- ⇒ Food Safety and Standards Authority of India (भारतीय खाद्य सुरक्षा और मानक प्राधिकरण) lays down scientific standards for food manufacture, storage, distribution, sale and import in India.
- ⇒ FSSAI chairman may be a non-bureaucrat, food-scientist etc. While FSSAI functions under the Administrative control of Health ministry, FSSAI Chairperson enjoys rank of an independent Secretary to Government of India. He's not 'under' any department of Health Ministry.
- ⇒ FSSAI act repealed previous central Acts like Prevention of Food Adulteration Act 1954, & other laws / orders of Fruits, Meat Edible Oils, Edible Flour, Milk Products etc.
- ⇒ FSSAI labelling rules 2011: Every package containing vegetarian food item must contain a square symbol with a **Green Colour** filled circle inside. If egg / non-vegetarian item then Brown **Color**.
- ⇒ FSSAI packaging rules banned the use of recycled plastic and **newspaper** for packing / wrapping food articles due to chemicals/cancer fear. (खाद्य पदार्थों को अखबार में लपेट नहीं सकते क्योंकि कैंसर का जोखिम)
- ⇒ FSSAI rules ban the use of **calcium carbide** and **acetylene gas** for artificial ripening of fruits, however ethylene gas **is permitted** upto certain limits. (फल पकाने वाले रसायनों के उपयोग पर प्रतिबंध)
- ⇒ Food product should not contain more than 2% **Trans Fatty Acids (TFAs)** from 1/1/2022
- ⇒ 2021: FSSAI has banned blending of mustard oil with any kind of edible oil from 2021. Because such mixing/blending associated with dropsy disease/allergy. (सरसों का तेल किसी अन्य खाद्य तेल के साथ मिश्रित करने पर प्रतिबंध क्योंकि ऐसा मिश्रण कुछ बीमारियाँ पैदा करता है)



- ⇒ **Monosodium Glutamate (MSG)** is a flavor enhancer in Chinese food, but leads to obesity and liver inflammation. Earlier FSSAI had banned sale of Nestle's Maggi noodles because it contained lead and MSG, although later HC lifted the ban.
- ⇒ 2019: Ministry of Health and Family Welfare will provide training & certificates to youth → they become 'Food Safety Mitra' → they help food processing companies / restaurants etc to comply with FSSAI norms & earn consultancy fees from them.
- ⇒ It publishes food safety index to compare the States of India.

Related-Misc.? AGMARK is given by Agro Ministry → Directorate of Marketing & Inspection → under the Agricultural Produce(Grading and Marking) Act, 1986. It covers Agriculture commodities, wool, cotton, meat etc.

AB CD ? MCQ. Find correct statement(s): (UPSC-Prelims-2018)

- 1) The Food Safety and Standards Act, 2006 replaced the Prevention of Food Adulteration Act, 1954.
- 2) FSSAI is under the charge of Director General of Health Services in Health Ministry.
- 3) Both 1 and 2
- 4) Neither 1 nor 2

45.3.5 🧑🏫♂ Commerce Ministry → Not-Statutory → QCI (1997)

- Quality Council of India is a non-profit society registered under Societies Registration Act with the funding from Commerce ministry, Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI) & Associated Chambers of Commerce and Industry (ASSOCHAM). FICCI & ASSOCHAM are non-governmental trade association/pressure groups of businessmen for highlighting their demand to Govt.
- QCI helps the industries to adopt quality standards like ISI, ISO, OHSAS, KAIZEN etc. हिंदी शब्दावली यहां जरूरत नहीं क्योंकि मुख्य परीक्षा में इसका काम नहीं.
- Quality Council of India (QCI) provides certification of **Zero Defect and Zero Effect (ZED)** manufacturing to MSME industries.

45.3.6 🧑🏫♂ Commerce Ministry → Not-Statutory → NPC (1958)

- ⇒ **National Productivity Council of India (NPC)**- autonomous body setup under DPIIT, provides research and consultancy service for Industrial Engineering, Agri-Business, Quality Management, Human Resources Management etc to companies.
- ⇒ Commerce minister is the president of this body.

45.3.7 🧑🏫♂🏆 One Nation, One Standard Scheme (2019)

- Boss? Bureau of Indian Standards (BIS, Statutory body under Ministry of Consumer Affairs).
- A Standards setting organizations such as FSSAI, Bureau of Energy Efficiency etc. will apply to BIS & promise to abide by WTO's Technical Barriers to Trade (TBT) Agreement's "Code of Good Practice" (गुणवत्ता मानक बनाने वाली विविध संस्थाओं ने बीआईएस में अर्जी डाल के कसम खानी होगी कि वह विश्व व्यापार संगठन के TBT समझौते के अनुसार काम करेंगे) (TBT: Ref Pillar#3B)
- Then BIS will label such organization as SDO (Standard Developing Organization) under "One Nation, One Standard" scheme. (तो फिर बीआईएस संस्था उस संस्था को "एक देश एक मानक" योजना के अंतर्गत "मानक विकास संगठन" की उपाधि देगी)



- 2021: Railway Ministry's RDSO (Research Design & Standards Organization, HQ: Lucknow) became the first organization to get SDO label from BIS

👉 Benefit? Transparency, Openness, Impartiality, Effectiveness. HOW exactly? Ans. NOT IMP.

45.3.8 🏠🔍🔬 PARAKH Laboratory Network (2021)

- 👤 Boss? Commerce ministry → DPIIT.
- "PARAKH" online portal contains the directory & GPS-addresses of government approved public sector and private sector laboratories. → entrepreneur can approach those labs for getting the necessary testing-certificates. e.g. ISI mark, Gold-hallmarking, FSSAI food-safety tests etc. (परख- एक ऑनलाइन डिरेक्टरी है जहाँ सरकारी मान्यता प्राप्त प्रयोगशालाओं की सूची/पेइस दिए हैं। ताकि उद्योगपति इन प्रयोगशालाओं में अपने उत्पादों को भेजके ज़रूरी प्रमाणपत्र/सर्टिफिकेट/मानक हासिल कर सके।)

45.3.9 🏆🔧 OIML Certificate for weighing machine maker companies



- **Body:** OIML (Organisation Internationale de Métrologie Légale / International Organization of Legal Metrology) Certificates Issuing Authority. HQ: Paris. Founded 1996.
- the company that manufacture weighing machines & measurement instrument - they need to get certificate from this OIML body.

BEFORE	AFTER (2023)
India was not member.	India becomes 13th Member of this OIML Body. . So possible to get the weighing/measurement devices tested within India to get certificates.

45.4 🛒🛡️ CONSUMER PROTECTION ACT, 2019 (उपभोक्ता संरक्षण)

Nodal? Ministry of Consumer Affairs, Food and Public Distribution (उपभोक्ता मामलों का मंत्रालय)

It replaces the original act of 1986.



45.4.1 🛒🛡️ Consumer Protection Act 2019 → bodies → Consumer court

Consumer Disputes Redressal Commissions (CDRCs: उपभोक्ता विवाद निवारण आयोग).

CDRC at	District जिला स्तर पर	State राज्य स्तर पर	National राष्ट्रीय स्तर पर**
Hears complaint	Upto ₹50 lakh	₹50l to ₹2 cr	>₹2 cr ke disputes

- **2020: National Consumer Dispute Redressal Commission (NCDRC) has launched **E-Daakhil Portal** to help the consumers file online complaints under the Consumer Protection Act.
- Appeal structure: District → State → National → Supreme Court

45.4.2 🛒🛡️ Consumer Protection Act 2019 → bodies → others

1. **Central Consumer Protection Authority** (केंद्रीय उपभोक्ता संरक्षण प्राधिकरण): It'll be a body on consumer issues, headed by the Union Minister of Consumer Affairs.



- a. Its investigation wing to be headed by a Director-General (DG).
 - b. It can intervene to protect consumers from unfair trade practices. It can also launch class action against a company, order recall or refund of products. The agency is designed on the lines of highly effective US Federal Trade Commission.
2. **Consumer Protection Councils** (उपभोक्ता संरक्षण परिषद) These advisory bodies will work for awareness generation.

45.4.3 🛒🛡️ Consumer Protection Act 2019 → Features (प्रमुख/मुख्य प्रावधान)

1. **Product Liability** (दोषपूर्ण सामान / सेवा की जिम्मेदारी): If a consumer suffers an injury, property damage or death due to defective goods / services → company will be liable to pay for damages.
2. **Unfair Contract** (अनुचित अनुबंध) e.g. asking excessive security deposits for broadband / DTH connection, company unilaterally terminating the service without cause → Company liable to compensate the consumer.
3. Complaints can be filed electronically; cases can be heard through video conferencing.

Punishment दंड	- Fines upto ₹ 50 lakhs + upto 5 years jail. (कारावास और जुर्माना) - ₹50k fine on Consumer if filing frivolous complaints.
Celebrity Ads?	If an endorser is giving a misleading advertisement, then he can be banned from advertising and face financial penalty. (भ्रमित करने वाले विज्ञापनो पे समर्थनकार को दंड)

⇒ Provisions for mediation / Alternative Dispute Resolution (ADR) mechanism. However, No Appeal Against Settlement Through Mediation. (कोर्ट के बाहर विवाद निपटाना / सुलह करना)

⇒ Stricter rules for eCommerce website (Ref Pill#3A)

⇒ stricter penalties for adulteration/spurious goods. (मिलावट खोरी / नकली माल बेचना)

Conclusion? Thus, new act addresses the lacunas of the original act of '86- by providing for new methods of filing complaints, new bodies for seeking justice and stricter penalties on violators. This will help in long way to protect the rights of consumers in India. यह नया कानून पुराने कानून की खामियों को दूर करता है. शिकायत निवारण के लिए नई प्रक्रिया, नए संगठन, और ज्यादा सख्त सजा के प्रावधान- ग्राहक सुरक्षा में बहुत मदद करेगा.

45.4.4 🗣️👑 Social Media influencers pe CCPA Rules 2023

⇒ Central Consumer Protection Authority (CCPA) ordered guidelines.

⇒ whenever celebrity/influencer getting paid in cash / gifts for promotion of a product → he/she must disclose it to audience in such social media posts/videos.

⇒ else fine upto ₹50 lakh and/or ban on doing ads up to six years.

45.4.5 🇮🇳👑👑 Royal Entry UPSC Toppers pe CCPA rules (2023)

- CCPA has asked Dept of Personnel and Training (DoPT) to enforce the Central Civil Services (Conduct) Rules, 1964 on the UPSC Toppers.
- The conduct rules clearly state that no government servant shall engage in any trade or business or undertake any private employment. (केंद्रीय सिविल सेवा अनुशासन नियमों के तहत कोई भी अफसर निजी व्यवसाय के विज्ञापन नहीं कर सकता.)

45.4.6 → Consumer protection ☑️ Banking customers

RBI's two initiative

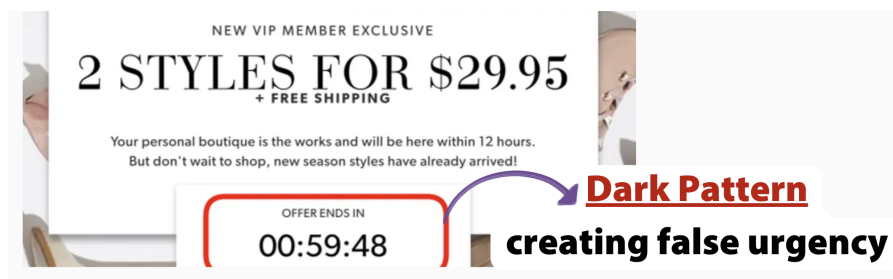
- Integrated Ombudsman Scheme (also called one nation, one ombudsman)
- Centralised Receipt and Processing Centre = @Chandigarh to process the complaints received in physical mode, such as letter or post.



AB CD !? MCQ. Who has setup 'Centralised Receipt and Processing Centre' and 'Integrated Ombudsman Scheme'? (UPSC-IES'24) (a) NITI Aayog (b) DPIIT (c) ISRO (d) RBI

45.4.7 Consumer Protection → Dark patterns

- Dark patterns = unethical / manipulative practices by e-commerce sites such as drip pricing (hidden charges), disguised advertisement, bait and switch, false urgency etc.
- Central Consumer Protection Authority (CCPA) issued guidelines against it.



45.4.8 Consumer Protection → Drip Pricing (Hidden Charges)

Area	Price
Shoes price displayed on website:	₹4700
hidden charges: Shipping & Handling fees / donation / insurance / platform fees	₹ 300
Total	₹5000

Drip pricing is an unethical technique where only part of a product's price is advertised upfront.

- Then additional charges revealed as the customer progress thru checkout.
- 2024-May: consumer affairs ministry warned against this.

45.4.9 → Consumer protection ☒ spam protection in USA

AB CD !? MCQ. Which of the following Acts is required for the commercial emailers in sending out messages that advertise a commercial product or service? (UPSC-IES'24)

- ☒ (a) Controlling the Assault of Non-Solicited Pornography and Marketing Act
- (b) Communications Assistance for Law Enforcement Act
- (c) Communications Act of 1934 (d) Communications Decency Act

Ans. Option-A. But, tough question because this law was made in USA in 2003.

45.4.10 📌🔑 Mains Questions from this pillar 4B?

- Mains Qs from this topic are centred around 4th industrial revolution, Make in India, how to improve manufacturing sector, effect of LPG reforms on Indian companies etc.
- This Raftaar-course (PCB) deals purely with Prelims and NOT with Mains. We'll see Mains ka Maal in separate Main-QEP course.

Next Handout: 4C: NITI-PC, FYP, Macro-indicators: unemployment



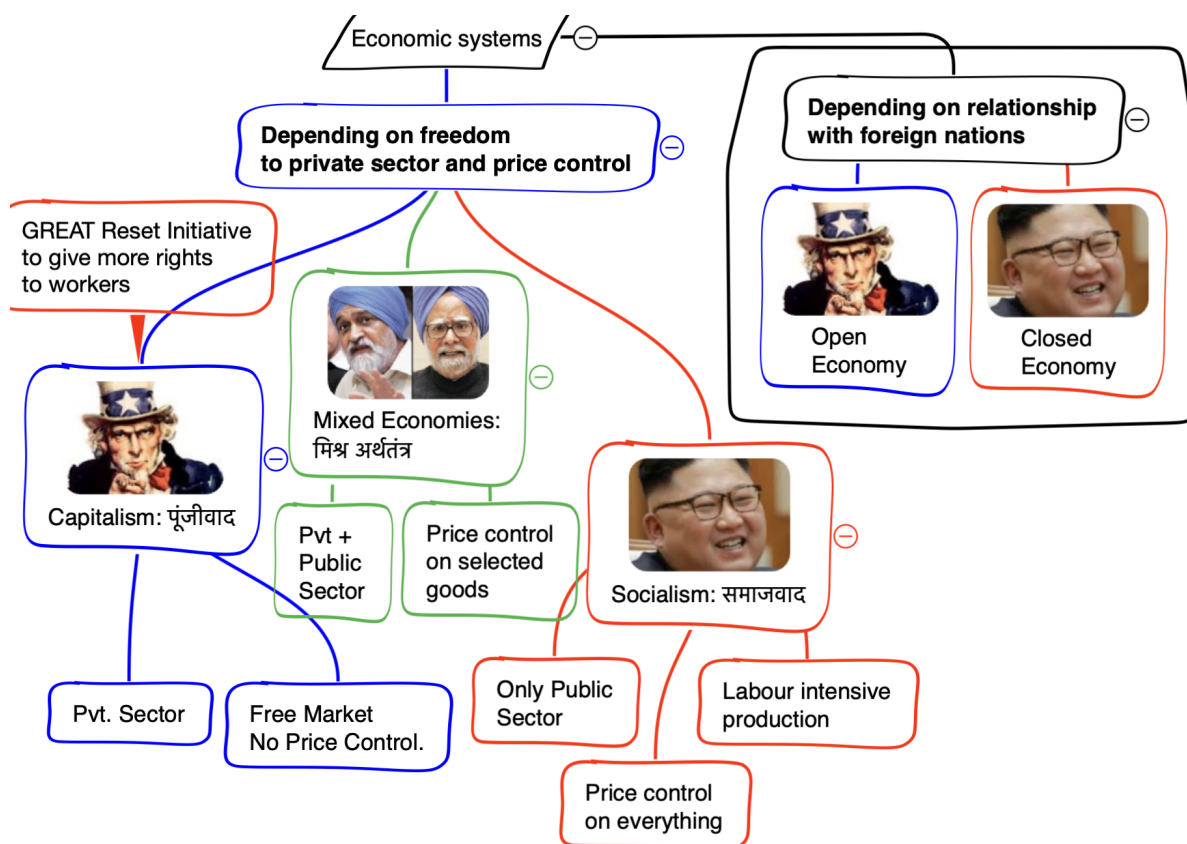
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46 ECONOMIC PLANNING & ECONOMIC SYSTEMS

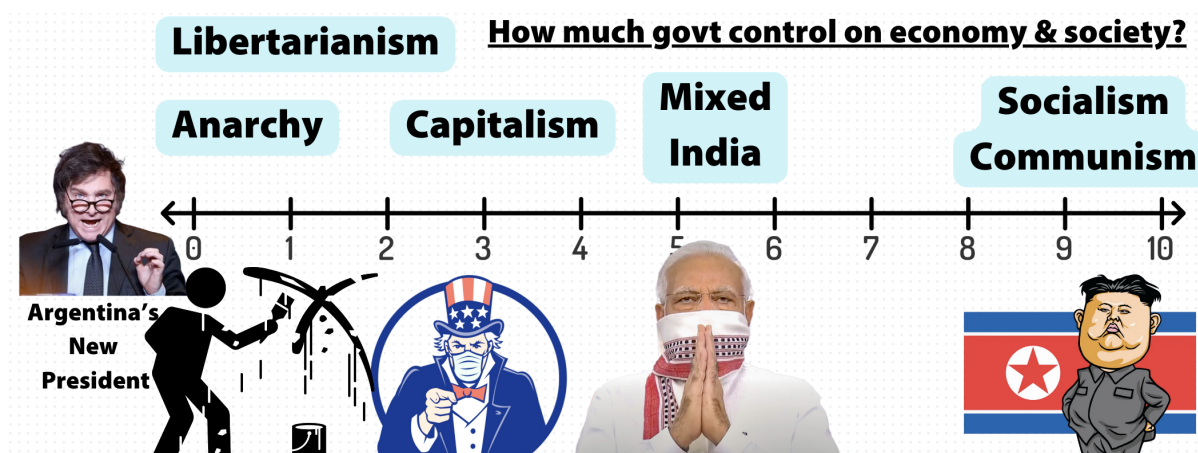


Economic System आर्थिक प्रणाली →	Capitalism पूँजीवाद	Mixed Economies मिश्रित अर्थव्यवस्थाएँ	Socialism समाजवाद
Ownership of the industries? उद्योगों का मालिक कौन	Pvt. Sector निजी क्षेत्र	Few industries reserved for public sector, remaining by Pvt. sector.	Public Sector / Govt / Collective ownership. No 'pvt' property.
What goods and services should we produce? More books or more bikes?	'Free Market Economy': Let the market forces of supply & demand decide it.	- Essential goods/services by Public Sector - Others by Pvt sector.	Govt. will decide what must be produced & in how much quantity.
During production shd we use more labour or more capital (machines)?	Whichever mode of production is more cheaper.	In public sector industries- govt will decide. In pvt sector- entrepreneur will decide.	Preference for labour intensive modes of production.
How to sell/distribute those	Only the consumers who can afford them,	- For essential goods and services →	Govt to decide who needs how much, and



Economic System आर्थिक प्रणाली →	Capitalism पूंजीवाद	Mixed Economies मिश्रित अर्थव्यवस्थाएँ	Socialism समाजवाद
<i>goods and services among people?</i> वितरण प्रणाली	can purchase them. If a sick man cannot afford medicine, it is not govt's problem.	government may fix the prices e.g. NPPA- Stent. - For others → market forces will decide.	will distribute accordingly, using subsidy / rationing shops.

- ⇒ Presently, most nations are 'Mixed Economic System' including USA and India. While China officially claims to be 'Socialist' but, in practice, they too have become a Mixed Economy. (वर्तमान समय में ज्यादातर देश को 'मिश्र' अर्थतंत्र ही है- चीन ने भी खुद के समाजवादी होने का दिखावा करता है, किंतु 'मिश्र' है।)
- The socialist economic system stopped in most nations after the collapse of USSR, except a handful of outliers like North Korea, Cuba & Venezuela. But they all suffer from economic hardship.
 - Communism is a branch of socialism, (usually) run by a totalitarian government made up of one and only one party. (साम्यवाद- समाजवाद की एक उपशाखा है जहाँ सामान्य रूप से एक तानाशाह सरकार होती है.)



46.1.1 🤑 Anarcho-capitalism and Libertarianism

- **Libertarianism:** supremacy to individual liberty / very little government control. (उदारवाद)
- **Anarchism** = Society without government / rulers. (शासनवाद)
- **Anarcho-capitalism** = USA Activist Murray Rothbard gave this concept. (1950s)

(Normal) Capitalism	🤑 Anarcho-capitalism (अशासनवादी पूंजीवाद)
• Freedom to private sector. • But Govt will control law and order, contract enforcement, judiciary. (निजी क्षेत्र को बहुत छूट मिलेगी, किंतु फिर भी सरकार कानून व्यवस्था, अनुबंधका पालन और न्यायपालिका चलाएगी.)	• Every function to done by private sector, including police station. • Judiciary replaced by private arbitrators. (पुलिस थाने, न्यायालय के काम भी निजी कंपनियां करे)
• Even in capitalistic nation like USA- there are taxes on imported goods.	• No taxes on imported goods. Free trade among nations.



(Normal) Capitalism	🇺🇸 Anarcho-capitalism (अशासनवादी पूंजीवाद)
	- Local customer will benefit from imported cheap goods. - We don't care, if current account increased for local industry ruined after such action!

Why in news? Ans. Argentina's new Prez. Javier Milei is advocating Anarcho-capitalism.

FAQ: What's the difference between libertarianism and anarchy? Notimp unless PolSCI optional.

46.1.2 📖 Closed vs Open Economy

Closed economy (बंद अर्थव्यवस्था)	Open Economy (खुली अर्थव्यवस्था)
A country that does not have any import-export / economic relations with rest of the world	an economy that is not a closed economy.

46.1.3 🌐 Capitalism- Great Reset Initiative by W.E.F (विश्व आर्थिक मंच की ग्रेट रीसेट पहल)

⇒ by World Economic Forum founder Klaus Schwab

⇒ Capitalism & its business models need to be "reset", to build a new social contract that honours the dignity and equality of every human- in health, finance, energy and education. (पूंजीवाद और उसके बिजनेस मॉडल को रीसेट/पुनः शुरुआत करना- इस प्रकार के सामाजिक अनुबंध बने, जहां हर इंसान की गरिमा और समानता का ख्याल रखा जाए-स्वास्थ्य, वित्त, ऊर्जा, और शिक्षा में। क्योंकि वर्तमान पूंजीवाद भी गरीबों का शोषण बहुत हो रहा है)

⇒ Corona's impact on poor people → has revived this debate again. (कोरोना में इसकी ज़रूरत महसूस हुई)

48.1.1 🧠 Misc. Terms: Washington Consensus | Ragenomics | Thatcheromics | Autarky

Term	Meaning
Washington Consensus (1980s)	a set of economic policy recommendations for developing countries, esp. Latin America. Given by International Monetary Fund (IMF), World Bank, and U.S.A. Department of the Treasury during 1980s. Focus areas: similar to LPG reforms / reduce government control.
Ragenomics (1980s)	BY USA President Reagan. Focus areas: Reduce government spending & government control, provide tax cuts to the businessmen. etc.
Thatcheromics (1980s)	By Britain PM Margaret Thatcher. Focus areas: privatisation of sarkaari companies, reducing government control etc.
Autarky	an economic system of self-sufficiency and limited trade with the world. - closed economy = 100% autarky, bcoz, it does not have any import export, FDI / FPI relationship with the world. (e.g. North Korea)
Adam Smith's invisible hand	Adam Smith's "invisible hand" refers to the self-regulating nature of the marketplace in determining how resources are allocated based on individuals



acting in their own self-interest. (हर व्यक्ति खुदके निजी स्वार्थ के हिसाब से वर्तन करता है और बाजार अपने अदृश्य हाथ से उनमें संसाधनों का आवंटन करता है।)

AB CD !? MCQ. Which of the following statements are not correct?

1. In world politics, 'hard power' can be exercised by both States and other actors involving use of threat or coercion.
2. Globalisation is necessarily economic, not cultural.
3. The term "Washington Consensus" refers to a policy that seeks intervention in the market.
4. 'Autarky' is generally understood as economic self-sufficiency".

Codes: (a) 1 and 4 only (b) 2 and 3 only (c) 2, 3 and 4 only (d) 1, 2, 3 and 4

AB CD ? MCQ. Which of the following was recognized as 'invisible hand' by Adam Smith? (CAPF-20)

- (a) Government (b) Market/Price Mechanism (c) Judiciary (d) Legislature

46.1.4 🐯 Tiger Economy- Vietnam target by 2045

- A tiger economy = several fast-growing economies, particularly in Southeast Asia such as Singapore, Hong Kong, South Korea, and Taiwan.
- During the 80s-90s, they attracted a lot of FDI → fast growth. However, they faced a crisis in '97 due to a flight of foreign capital. (Ref 3B Capital account convertibility.)
- Vietnam aims to achieve the tiger economy status by 2045.

AB CD ? MCQ. Find correct statements about Vietnam: (Prelims-2022)

- 1) Vietnam has been one of the fastest growing economies in the world in the recent years.
- 2) Vietnam is led by a multi-party political system. (**WRONG**- it has single party sys. Like China)
- 3) Vietnam's economic growth is linked to its integration with global supply chains and focus on exports. (वैश्विक आपूर्ति शृंखला में एकीकृत होने के चलते और निर्यात पर ध्यान देने के चलते वियतनाम की आर्थिक वृद्धि हुई है)
- 4) For a long time Vietnam's low labour costs and stable exchange rates have attracted global manufacturers. (सस्ते मज़दूर और स्थिर विनिमय दर के चलते विदेशी उत्पादक वियतनाम में आकर्षित होते हैं)
- 5) Vietnam has the most productive e-service sector in the Indo-Pacific region. (**WRONG-its not better than India/China**)

Codes: (a) 2 and 4 (b) 3 and 5 (c) 1, 3 and 4 (d) 1 and 2

AB CD ? MCQ. Consider the following statements: (Pre'24)

St-I: Recently, Venezuela achieved a rapid recovery from economic crisis and succeeded in preventing its people from fleeing/emigrating to other countries. (**WRONG**)

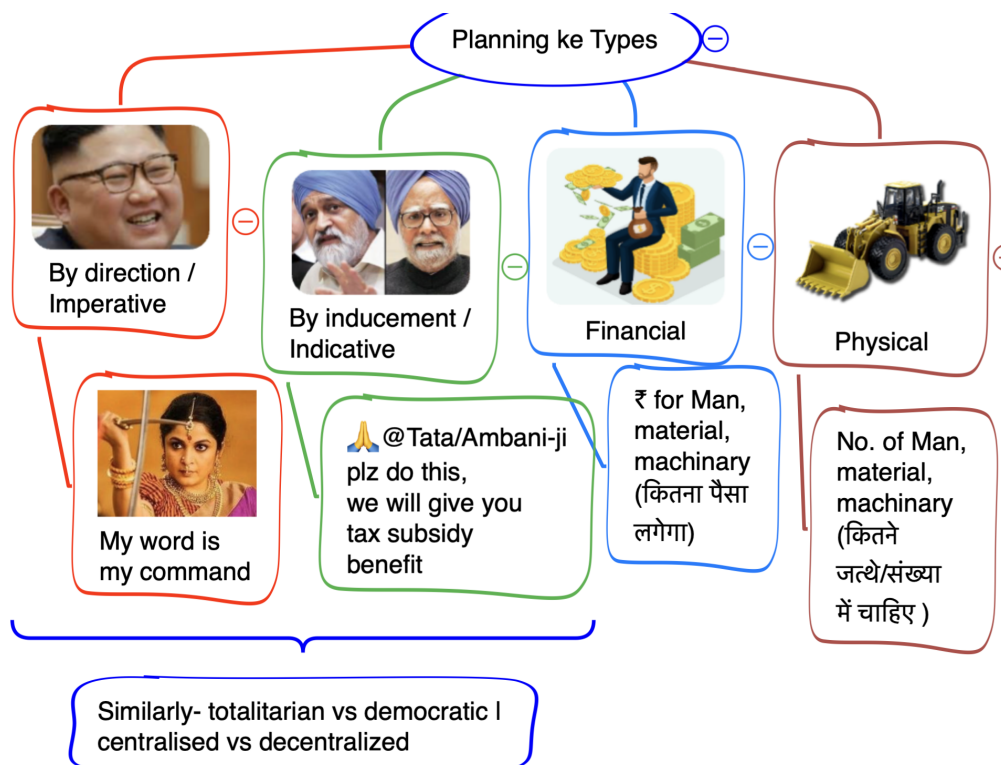
St-II: Venezuela has the world's largest oil reserves.

- (a) Both St-I & St-II correct & St-II explains St-I
 (b) Both St-I & St-II correct, but St-II does not explain St-I
 (c) St-I is correct, but St-II is incorrect (d) St-I is incorrect, but St-II is correct



46.2 🧑🧑 ECONOMIC PLANNING: आर्थिक योजना

Definition? It is the process through which Govt. prepares a list of socio-economic problems e.g. mass poverty, inequality, low productivity in agriculture, lack of industrial and infrastructural development etc.; and then Govt. sets goals / targets / plans to fix these problems. यह प्रक्रिया है जिसके माध्यम से सरकार सामाजिक-आर्थिक समस्याओं की सूची तैयार करता है उदा। बड़े पैमाने पर गरीबी, असमानता, कृषि में कम उत्पादकता, औद्योगिक और बुनियादी ढांचागत विकास की कमी आदि; और उसे ठीक करने के लिए लक्ष्य / लक्ष्य / योजना निर्धारित करती है



46.2.1 📖 Types of Economic Planning (आर्थिक योजना के प्रकार)

- ⇒ Totalitarian planning (in USSR, N.Korea) vs Democratic planning (India). सर्वसत्तात्मक vs लोकतांत्रिक
- ⇒ Centralized (in USSR, N.Korea) Vs Decentralized (India- after 73rd and 74th Amendments) (केन्द्रीकृत vs विकेंद्रीकृत)

Planning by Inducement (प्रलोभन द्वारा)	by Direction (दिशानिर्देशन)
People are induced to act in a certain way through monetary policy and fiscal policy	Central authority gives predetermined targets
Indicative Planning (सूचक)	Imperative (आदेशात्मक)
⇒ Started in France by Monnet plan ⇒ Found in mixed economies ⇒ Government prepares an outline of plan after consulting with public and private sector. They are given funds, incentives, subsidies, tax breaks to maximize production, income & employment ⇒ Government does not force the private sector but just indicates the areas of cooperation and targets to be fulfilled.	⇒ State & Public sector companies have complete control over resources. ⇒ No private sector involved. ⇒ No consumer sovereignty. ⇒ Imperative planning procedure is strict and rigid . E.g. USSR, N Korea



Planning by Inducement (प्रलोभन द्वारा)	by Direction (दिशानिर्देशन)
⇒ Indicative planning procedure is soft and flexible . E.g. India, France	
Financial planning (वित्तीय आयोजन बनाम भौतिक आयोजन)	Physical planning
technique of planning in which resources are allocated in terms of money (योजना बनाने की ऐसी तकनीक जहाँ संसाधनों का आवंटन मुद्रा के रूप में)	allocation of resources in terms of men, materials and machinery

Table 1: Types of Planning based on timeframe

Planning →	Operational	Tactical	Strategic/Perspective
Timeframe →	Short upto 1 year	Medium: 3 to 7 years	Long: 10 years or more

46.2.2 📖 Economy Planning → Before Independence:

1909	Gandhi's book Hind-Swaraj (1909) he opposed industries and machines. Advocated people should minimize their wants, care for mother nature, become self-reliant, small scale production using khadi, village and cottage industries. (गांधीजी ने उद्योग और मशीनीकरण का विरोध किया. ज़रूरतें कम करो, स्व-निर्भर बनो, खादी ग्रामीण और कुटीर उद्योग को प्रोत्साहन दो)
1934	M. Visvesvaraya's book "The planned economy of India", containing a 10 years plan. He was an Engineer, Ex-Diwan of Mysore and Bharat Ratna recipient.
1938	Nehru's Congress plan advocated setting up "National Planning Commission". But not implemented due to World War 2.
1944	15 years' Bombay Plan for investment, by 8 noted industrialists JRD Tata, GD Birla et al.
1944	Sriman Narayan Agrawal's Gandhian plan- focusing agricultural and rural economy
1945	MN Roy's People's Plan- with socialist leanings. He advocated distribution of resources by the state only, and mechanization of agricultural production.
1950	Jayprakash Narayan's Sarvodaya Plan based on Vinoba's philosophy focused on agriculture, small and cottage industries.

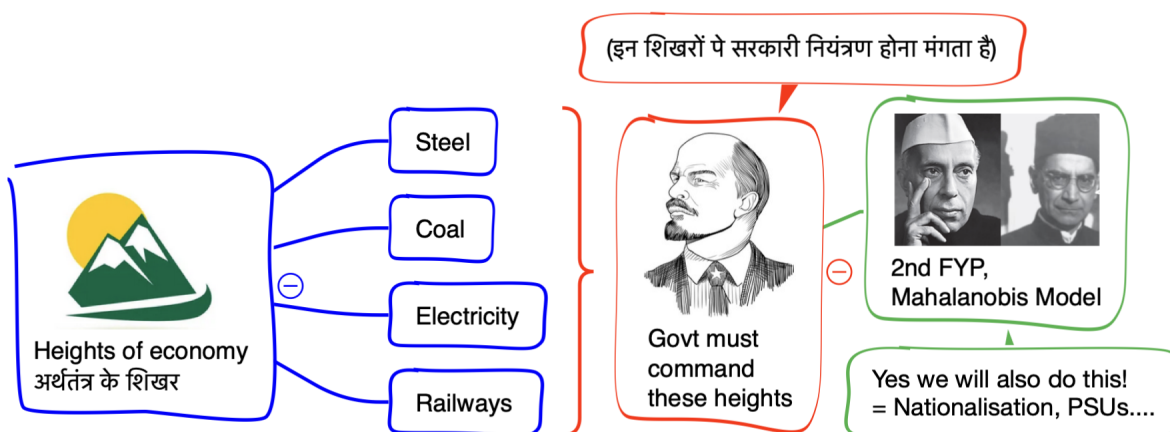
AB CD ? MCQ. Find wrong statement about Gandhian approach to development? (Geologist-2020)

- a) Voluntary limitation of wants b) Development of self-sufficient village community
c) Achieve balance between man and nature d) Industrialization & private participation

46.3 📖 ECONOMY PLANNING → AFTER INDEPENDENCE

1950, Mar.	Inspired from the USSR / Soviet Model, PM Nehru established a Planning Commission (सोवियत संघ से प्रभावित होकर प्रधानमंत्री नेहरू ने योजना आयोग की स्थापना की थी)
1951	From 1 st April, the first FYP starts. (पहली पंचवर्षीय योजना शुरू होती है)
1952	National Development Council (NDC: राष्ट्रीय विकास परिषद) of PM, CM etc. to approve the Five-Year Plans: पंचवर्षीय योजनाएँ drafted by Planning Commission.
2014	Modi shuts down Planning Commission. (प्रधानमंत्री मोदी ने योजना आयोग को बंद करवा दिया)
2015, Jan	Modi notified the formation of Niti Aayog: National Institution for Transforming India, to replace the Planning Commission. (और उसकी जगह नीति आयोग की स्थापना की)

PC, NDC and NITI were / are neither Constitutional nor Statutory bodies. (संवैधानिक/वैधानिक संस्था नहीं)



46.4 INDUSTRIAL POLICY RESOLUTION 1956 (IPR 1956)

This resolution formed the basis of the Second Five Year Plan with socialist pattern of society. This resolution classified industries into three categories.

Category	Ownership	Role of Govt	Role of Private Sector
Sch.A	Govt	Full control	Pvt sector not allowed e.g. Railway atomic energy, Defence, Banking, Insurance, Airline, etc.
Sch. B	Govt & Private	Govt responsibility to new starting units	Pvt sector can supplement Govt's efforts e.g. chemicals, fertilizers, machine tools, aluminum, medicines.
Sch. C	Private	Will give licenses.	Private companies could operate, but they needed a license e.g. Bicycle

46.4.1 IPR 1956 → License-raj & backward region promotion

- Companies needed a license to produce new goods or increase existing production.
- The government granted licenses only if it believed the economy needed more goods.
- Licensed Companies were given production quotas to ensure companies didn't overproduce the goods which were not required by the economy.
- If private companies set factories in economically backward regions → govt gave them faster license approvals, tax benefits, and cheap electricity.

MCQ. Find correct about Industrial Policy Resolution of 1956: (GPSC'25)

- This policy was based on P.C. Mahalanobis model
- The emphasis was on setting up small and medium industries in the backward regions
- Industries were classified in three categories in this policy

Codes: (A) 1 and 2 only (B) 2 and 3 only (C) 1 and 3 only (D) 1.2 and 3

Note: there was **debate** around st2. But official answer key (C) 1 and 3.

46.5 PLANNING COMMISSION → FIVE YEAR PLANS

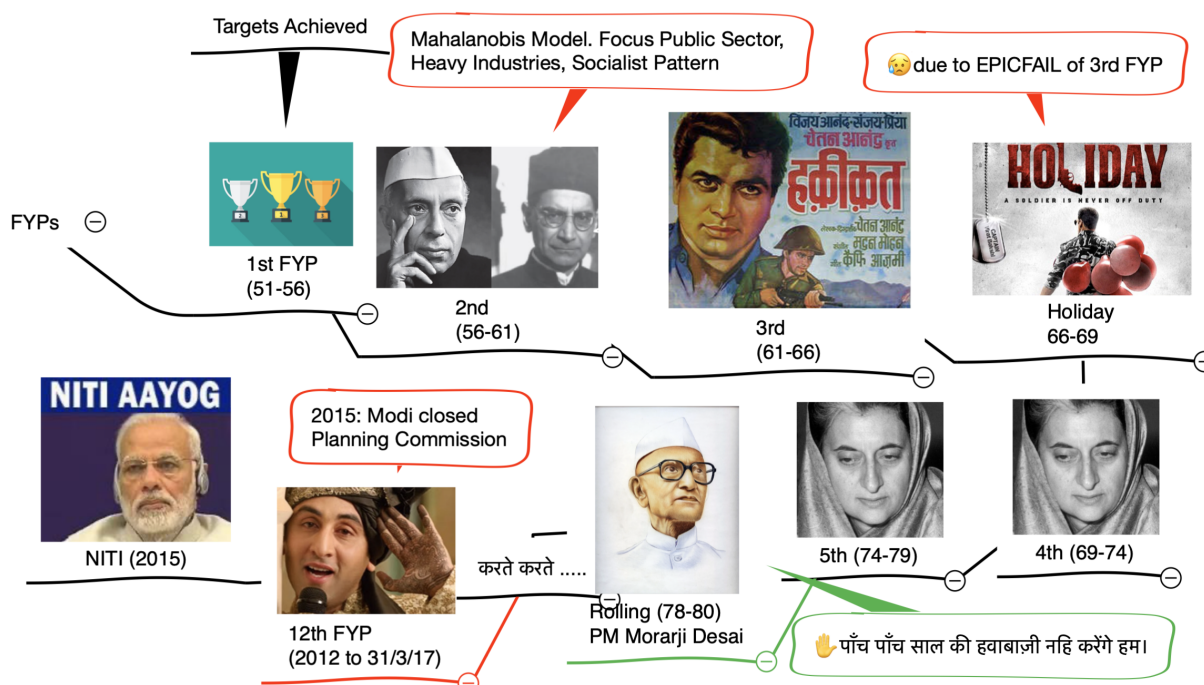
Following table is more relevant for CDS, SSC & StatePCS than for UPSC-CSE.



Plan	Period	Theme/Model/Target
1st	51-56	➤ Harrod Domar Model ➤ Main focus: Agriculture, irrigation and power. ➤ Successful: Got more GDP growth than its original target.
2nd	56-61	➤ P.C. Mahalanobis model. He was Chief Statistician of India. ➤ Socialist pattern/model of society, ➤ Rapid industrialization, heavy industries. ➤ Successful: Achieved the GDP growth target.
3rd	61-66	➤ Sukhmoy Chakraborty and John Sandy Model ➤ Also called “Gadgil Yojana”: to make the economy independent ➤ #EPICFAIL due to droughts and wars with Pak-China
Holidays	66-69	➤ Plan Holiday declared thanks to #EPICFAIL of 3rd FYP. ➤ During this period, annual plans were made.
4th	69-74	➤ Ashok Rudra and Alon Manney Model. ➤ growth with stability and self-reliance. ➤ Indira gave ‘Garibi Hatao’ slogan in 1971 election campaign ➤ #EPICFAIL due to Bangladeshi refugee problem and drought.
5th	74-79	➤ C.Subramaniam and later redrafting by D.P.Dhar ➤ Focus: agriculture > Industry & Mines ➤ Originally it was a 10 year long term perspective plan with focus on poverty removal and self-reliance ➤ While it achieved the targets but terminated in 1978 as Morarji Desai became PM.
Rolling Plan	78-80	Morarji Desai’s Janta government: “we’ll measure progress every year and make new plans accordingly for next year.”
6th	80-85	➤ Poverty removal, IRDP, NREM, TRYSEM schemes etc.
7th	85-90	➤ Pranab Mukherjee Model Focus on employment. ➤ For the first time, due to the pressure from private sector the private sector got the priority over public sector
2 annual plans	90-92	Political instability at Centre. So, only 2 annual plans: (i) 1990-91 & (ii) 1991-92.
8th	92-97	➤ John W.Miller Model. ➤ PM PV Narasimha Rao- LPG reforms, New Economic Policy ➤ Top priority to human resources i.e. employment, education and public health. ➤ Successful: Got more GDP growth than its original target. ➤ Fiscal deficit also ↓ but that was done by manipulation, using extra budgetary resources (EBR) which we saw in Pillar#2



Plan	Period	Theme/Model/Target
9th	97-02	➤ Growth with social justice and equity. Mostly “indicative” planning. ➤ identified 7 Basic Minimum Services (BMS) like health, education, nutrition, roads & gave more ₹ for that. ➤ #EPICFAIL due to global slowdown after Asian Financial Crisis (which we learned in Pillar#3 currency convertibility).
10th	02-07	Target 8% GDP growth rate, double per capita income in 10 years, reduce poverty to 15% etc. But failed to achieve targets.
11th	07-12	➤ Theme: “Towards Fast and more Inclusive Growth” ➤ C.Rangarajan framed it with targets: GDP 9% growth rate, 70 million new jobs, lower IMR, CMR, TFR etc. ➤ But due to US-subprime crisis, failed to achieve targets.
12th	12-17 Ended on 31/3/2017	➤ Theme: Faster, More Inclusive & Sustainable Growth ➤ Target growth: 9% GDP, 4% Agriculture, 10% Mfg. but due to continued global economic slowdown, most targets not achieved. ➤ 10% reduction in poverty, create 50 million new jobs. ➤ Get IMR:26, MMR:1000, Child Sex ratio: 950, TFR: 2.1 ➤ Increase mean school years, forest cover, infrastructure investment, rural tele-density.



MCQ. The focus of the Second Five Year Plan was : (CAPF-2023)

- (a) establishment of a self-reliant and self-generating economy with emphasis on agriculture.
- (b) rapid industrialization with emphasis on the development of basic and heavy industries.



(c) removal of poverty and attainment of self-reliance.

(d) acceleration of food-grain production and increase in employment and overall productivity.

AB CD ? MCQ. Which of the following Five Year Plans emphasized the need for establishing a “Socialist Pattern of Society” in India? (UPSC-Geologist-2020)

A) 2nd Five year Plan B) 3rd Five Year Plan C) 4th Five Year Plan D) 5th Five Year Plan

AB CD ? MCQ. The main objective of the 12th Five-Year Plan is (Asked in UPSC-Pre-2014)

(a) inclusive growth and poverty reduction

(b) inclusive growth and sustainable growth

(c) sustainable and inclusive growth to reduce unemployment

(d) faster, sustainable and more inclusive growth

AB CD ? MCQ. Arrange the following events in sequential order as they happened in India:

1. Mahalanobis Model 2. Plan Holiday 3. Rolling Plan. (Asked in CDS-II-2017)

Answer Codes: (a) 1, 2, 3 (b) 3, 2, 1 (c) 2, 3, 1 (d) 1, 3, 2

AB CD ? MCQ. Find correct statement(s) about India’s Five Year Plans (Pre-2019):

1. From the 2nd Five-Year Plan, there was a determined thrust towards substitution of basic and capital good industries.

2. The 4th Five-Year Plan adopted the objective of correcting the earlier trend of increased concentration of wealth and economic power.

3. In the 5th FYP, for the first time, the financial sector was included as an integral part of the Plan.

Codes: (a) 1 and 2 only (**this A is official Ans**) (b) 2 only (c) 3 only (d) 1,2 and 3

AB CD ? MCQ. What were the main reforms undertaken under the New Economic Policy of the early 1990s? (CAPF-2024) (1) Trade liberalization 2. Public Sector Disinvestment 3. Poverty Alleviation 4. Rapid industrialization Codes: (a) 1 only (b) 3 and 4 (c) 1 and 2 (d) 2 and 4

46.6 🧠♂️👉 PLANNING COMMISSION: LIMITATIONS / SHORTCOMINGS

shifted to Mains handout. #Prelmis-RAFTAAR

46.7 🧠👤 PLANNING COMMISSION VS NITI AAYOG: STRUCTURE

Position	🧠 Planning Commission	👤 NITI Aayog
Born	Born: 15/3/1950 Dissolved: 13/8/2014	National Institution for Transforming India was born on 1/1/2015
Chairman	Prime Minister	same
Vice Chairman उपाध्यक्ष	Last Dy.Chairman was Montek Singh Ahluwalia (Cabinet minister Rank).	He enjoys ‘Cabinet Minister’ rank 1. Dr. Arvind Panagariya (2015-17, resigned) 2. Dr. Rajiv Kumar (2017-22, resigned) 3. Dr. Suman K Bery (2022- Current)
CEO	Member-Secretary (IAS)	A Secretary level bureaucrat with fixed tenure. Presently, Parameswaran Iyer (IAS)
4 Ex-officio members (पदेन सदस्य)	1. Finance Minister 2. Planning minister	PM will nominate Max 4 Union ministers. Presently, Minister for- Home, Defense, Finance, Agriculture



Position	👤 Planning Commission	🧠 NITI Aayog
Full time members (पूर्णकालिक सदस्य)	4-7 full time members, who enjoyed “Minister of State” rank. (केंद्र के राज्य कक्षा के मंत्री का पद)	1. Dr Arvind Virmani (Economist) 2. Dr. Ramesh Chand (Economist) 3. Dr. V.K. Saraswat (missile scientist and Ex-DRDO chief.) 4. Dr. Vinod Kumar Paul (Public Health Expert) 5. Ex-IAS Rajiv Gauba (2025 added) They enjoy Minister of State rank in warrant of precedence, but salary = Secretary rank (IAS)
Special Invitees (विशेषरूप से आमंत्रित व्यक्ति)	N/A	- Union ministers for Transport, Social Justice, MSME, Textiles, Women-Child, HRD, Health, commerce, statistics, planning etc.(these ministers are sometimes added/removed. List keeps changing dynamically) - PM can invite other experts as and when needed.
Part-time members	(अंशकालिक सदस्य) N/A	Tech experts from research institutes. Currently none declared as of 2024-July Notification.
Governing Council	National Development Council (NDC: राष्ट्रीय विकास परिषद) with PM, CM etc.	- Chairman: Prime minister - CM of all states incl. Delhi, Puducherry - Lieutenant governors of UT. - 🧠 Although cooperative federalism spirit missing, West Bengal, Telangana and Punjab boycotted meeting in June 2019
Ad hoc (तदर्थ) Regional Councils	N/A	CMs & Lt.Govs of states/UTs that fall in the region. They'll be dealing with specific issue affected them e.g. irrigation, Naxal-problem, infrastructure etc.

** Nominated ministers keeps on changing. Earlier, Railway minister and Minister of state for planning, were in it. Now only 1) Defense 2) Home 3) Finance 4) Agri

** There is discrepancy between the theory given in Govt's India 2020 (yearbook) which says 'Full time and part-time members will be maximum of 2' vs real life composition from niti.gov.in/content/overview where fulltime members = 4. I've kept NITI webpage as reference.

46.8 👤🧠 PLANNING COMMISSION VS NITI AAYOG: FUNCTIONS

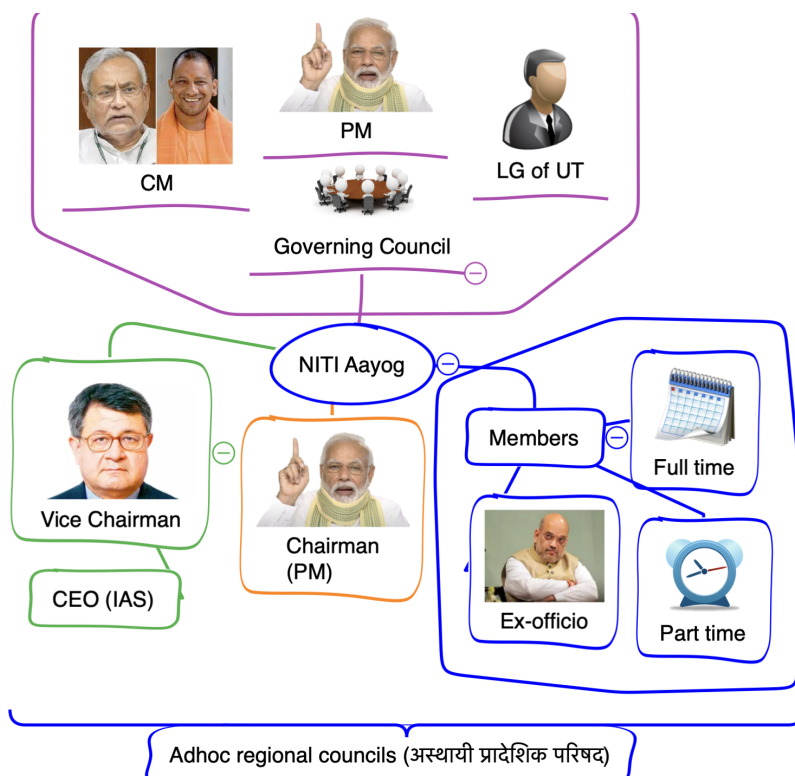
While Finance commission (a constitutional body under Art.280) is responsible for the tax-devolution from Union to states, these two non-constitutional bodies look/looked after →

👤♂ Planning Commission	🧠 NITI Aayog
Prepared the Five-Year Plans of India पंचवर्षीय योजना बनाना	It's given responsibility to draft ✓ Three Year Action Agenda (2017-20). ✓ Seven Year Strategy Document. ✓ Fifteen Year Vision Document (2017-32).



♂ Planning Commission	🧐 NITI Aayog
	2018: drafted Strategy for New India @ 75 covering the period 2017 to 2022-23.##
1. How much money should union give to each state for implementation of centrally sponsored schemes (CSS)? 2. How much money should union give to the five year plans of the state governments? PC would answer these questions using Gadgil Mukherjee formula (designed in 8TH FYP)- based on population, per capita income, special problems etc. of a state.	NITI doesn't decide how much money should be given to each state. That component is decided by the Finance Commission (tax devolution and grants) and Finance Ministry (Allocations for schemes). 1. NITI primarily serves as the think tank, helps in policy design. 2. Helps in monitoring schemes' implementation through its dashboard e.g. 'School Education Quality Index', 'SDG India Index', 'Digital Transformation Index' etc.

🎓 FAQ: ##“Do I've to read Niti's report India@75- as recommended by some toppers? Ans. No Need, because Its important points already embedded in this handout, particularly in Pillar4D: GDP.



46.9 🧐 NITI → NOTABLE INITIATIVES / HOW DIFFERENT FROM PC?

Darpan Portal	2017 onwards: NGO (Non-Governmental Organization) register here, get unique id → apply for grants under various govt schemes. नीति आयोग के इस वेब पोर्टल पर पंजीकरण करने के बाद ही गैर सरकारी संगठन सरकारी योजनाओं में जुड़ सकते हैं
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Aspirational District Programme आकांक्षात्मक जिला कार्यक्रम	- 2018 onwards: to rapidly transform 115 backward districts on 49 key performance indicators (KPIs :मुख्य निष्पादन संकेतक) related to Health, Nutrition, Education, Agriculture, Water Resources, Financial Inclusion, Skill Development, Infrastructure etc. - progress monitored in NITI online portal called 'Champions of Change'
Strategic disinvestment रणनीतिकविनिवेश	- NITI Aayog suggested strategic disinvestment of 30+ sick / loss making CPSEs such as Air India, Pawan Hans Helicopter, Scooters India etc. (PC wouldn't have done this because of their Nehruvian mindset.)
POSHAN Abhiyaan कुपोषण निवारण के लिए	- Ministry of Women and Child Development (MWCD) is implementing POSHAN Abhiyaan to make India malnutrition free India by 2022 with focus on pregnant women, mothers and children. (More in Pillar#6) - NITI Vice-Chairman is the head of POSHAN Abhiyaan's National Council. (Planning Commission's focus would had been Food-calorie security through cheap wheat /grain only, whereas Nutritional Security is bigger.)
Bills and policies कानूनों के निर्माण में सलाह	Since its inception Niti Aayog has - Helped framing various policies on Energy, Mineral etc. - Helped framing various bills, Model Acts on Agricultural Land Leasing, Livestock Selling etc.
 Agriculture कृषि क्षेत्र	NITI helped revamping the MSP by suggesting price deficiency payments (under PM-AASHA), & revamping fertilizer subsidies through DBT mechanism to fertilizer companies. (Ref: Pill#4: Agro Handout)
SDG (More in  Pillar#6)	For Sustainable Development Goals (सतत विकास लक्ष्य) - NITI developed SDG India Index to monitor our progress in 17 SDG goals - NITI suggested Govt. to focus on methanol / biofuel based economy for reducing the fuel bill by around 30% by 2030.
GIRG Dashboard (सामाजिक आर्थिक विकास के आंकड़े)	Niti Aayog Global Indices to Drive Reforms and Growth (GIRG) dashboard to monitor India's performance on various global socio-economic parameters in such as Multidimensional poverty index of United Nations Development Program (UNDP-संयुक्त राष्ट्र विकास कार्यक्रम का बहुआयामी गरीबी सूचकांक). (Ref: Pill#6)
 CSS केंद्र द्वारा प्रायोजित योजनाएं	NITI helped developing Output Outcome Monitoring Framework to monitor the implementation of Govt schemes. PC simply launched schemes after schemes, without much attention to performance monitoring.
Seminars	NITI regularly organizes seminars, workshops, conferences for idea exchange with industries and academicians. PC was 'closed / introvert body' (अंतर्मुखी) in terms of interaction with others.



Startups	- NITI runs Atal Innovation Mission (AIM) → grant of upto ₹ 10 crores to setup Atal Incubation Centres incubators. → AIM also started “Mentor India” program, wherein experts from industry provide mentorship to students in Atal incubator labs. - SETU to help startups. (More in 📄 Pillar#4B: Startup)
Digital Age	NITI developing National Program on Artificial Intelligence.

46.9.1 State Support Mission of NITI Aayog (2022)

⇒ NITI Aayog to provide funding and support to State Government setup NITI-Aayog like thinktanks/bodies @State Govt level.

⇒ Such bodies will be called “State Institutions of Transformation (SIT)”.

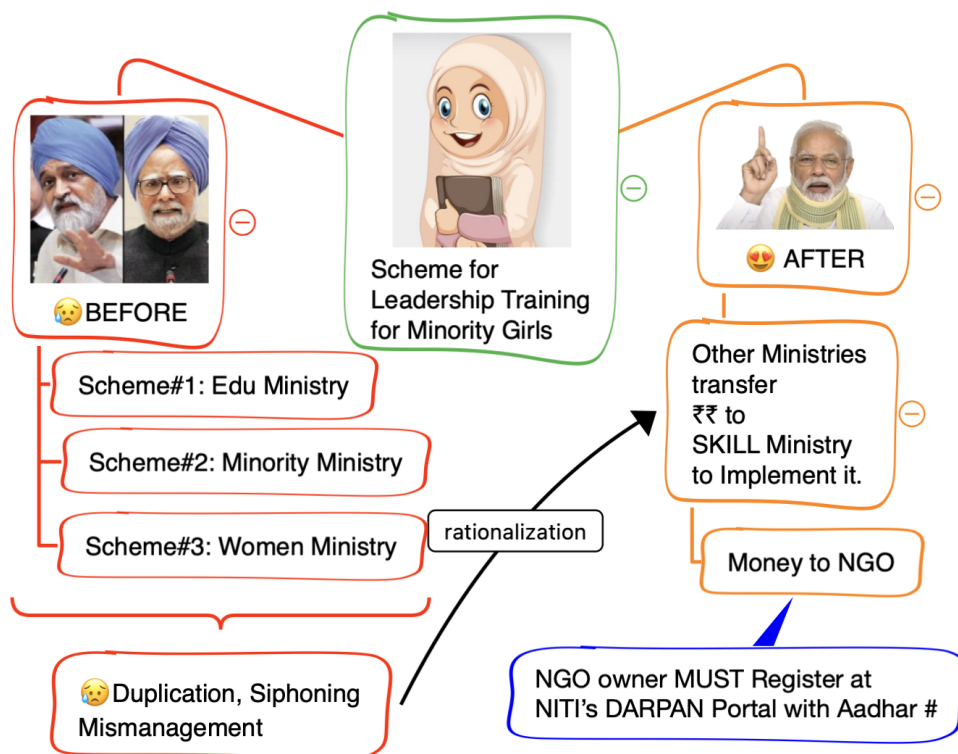
⇒ Target? SIT will help State governments to design good policies, effective implementation of the schemes etc. to make India a developed country by 2047.

⇒ 🗳️ Budget-2023: the scheme will continue for three years.

राज्यों में भी “परिवर्तन के राज्य संस्थान (एसआईटी)” बनायेंगे, जो की नीति आयोग जैसा काम करेंगे। राज्य सरकारों को अच्छी नीतियां बनाने तथा सरकारी योजनाओं के प्रभावी अमल में मदद करेंगे।

👉 **Conclusion?** From above aspects, it is evident that NITI’s approach is more modernised, forward-looking, less bureaucratic and less status-quo oriented than the erstwhile Planning Commission.

With such initiatives, NITI Ayog is playing a pivotal role for economic growth, human development and good governance in India. नीति आयोग का दृष्टिकोण अधिक आधुनिक, दूरदर्शी, कम नौकरशाही और कम ‘यथास्थिति’ वाला है- जिससे वह आर्थिक वृद्धि, मानव विकास, और सुशासन में मदद करेगा





MCQ. Which among the following is/are the objective/objectives of the NITI Aayog? (CDS-2023-I)

1. Imposing policies on the States/UTS
2. Allocation of funds at National and State levels
3. Design strategies and long-term policies and programme frame- works

Codes: (a) 1 and 2 only (b) 2 and 3 only (c) 1, 2 and 3 (d) 3 only

46.10 ECONOMY PLANNING → PM-EAC?

Prime Minister's Economic Advisory Council (प्रधानमंत्री की आर्थिक सलाहकार परिषद)

- Just like PC and NITI, this is also neither constitutional nor statutory body.
- Started in the 2000s to give advice on economic issues to the Prime Minister.
- After PM Manmohan Singh's term finished (2014), PM Modi did not reconstitute it for a while.

But in 2017, our growth rate ↓ in the aftermath of demonetisation and GST, so opposition parties & critics were making lot of hue and cry about PM's faulty economic policies. In that atmosphere, PM Modi again reconstituted this Economic Advisory Council (2017-Sept).

- **Composition?** Economist Bibek Debroy (as Chairman but died 2024) & other notable full time and part time members= Total 7 persons. NITI provides administrative / secretarial support to PM-EAC. PMEAC has suggested to government to:

- 1) Set up a GST Council like body on public expenditure (More in  Pillar#2)
- 2) ↓ the number of GST slabs. 3) ↓ Direct Taxes to boost economy.

46.10.1 iGoMs under Amit Shah (Eco) & Rajnath Singh (Social) (2025-Aug)

Two informal groups of ministers (iGOM) formed

Details	Economic Sectors & Technology	Social Sectors, Welfare, and Security
Head	Amit Shah (Home Minister)	Rajnath Singh (Defence Minister)
Convener	Ashwini Vaishnaw	Mansukh Mandaviya
Members	13 (incl. Nirmala Sitharaman, Piyush Goyal)	18 (incl. Gadkari, Shivraj Singh)
Sectors Covered	Finance, Industry, Commerce, Infrastructure, Logistics, Resources, Science & Technology, Governance (वित्त, उद्योग, वाणिज्य, बुनियादी ढांचा, रसद, संसाधन, विज्ञान और प्रौद्योगिकी, शासन)	Education, Healthcare, Defence, Skilling, Social Welfare, Housing, Labour, Public Health (शिक्षा, स्वास्थ्य सेवा, रक्षा, कौशल विकास, समाज कल्याण, आवास, श्रम, सार्वजनिक स्वास्थ्य)

46.10.2 Economy Planning → PRAGATI?

2015: Pro-Active Governance and Timely Implementation (PRAGATI) is a web platform under Prime Minister's Office (PMO) for

1. Monitoring scheme implementation (योजनाओं के अमल की निगरानी)
2. Addressing common man's grievances related to tax refunds, EPFO claims etc. (आम आदमी की शिकायतों का निवारण)



PM uses this digital platform for monthly video conferencing with ministries & departments @Union, and Chief Secretaries(IAS) @States.

Table 2: Some Other related Organizations

eSamikSha	- 2014: PM Modi launched web portal under Cabinet Secretariat. - After the Ministers / officials meet PM → decisions / follow up actions are monitored through this portal. - If an IAS is sitting on a file, this webportal allows PM / Cabinet Secretary to digitally ask that IAS to explain the delay or expedite the decision-making.
Project Monitoring Group	- 2013: PM Manmohan formed “PMG” in Cabinet Secretariat for fast tracking approval / implementation of public sector, private sector and PPP Projects. - They operate a webportal ‘e-Nivesh Monitor’ for investment / biz proposals.
Investment Commission	- (2004-09: Under Ratan Tata to make recommendations to the government on policies and procedures to facilitate investment. - 2016 Government thought to revive it but faded topic. (फूटा हुआ कारतूस)
CPGRAMS (भ्रष्टाचार भाई भतीजावाद धौधली की शिकायत के लिए)	- 2007: Personnel Ministry → Department of Administrative Reforms & Public Grievances (DARPG: प्रशासनिक सुधार और लोक शिकायत विभाग) launched the portal Centralized Public Grievance Redress And Monitoring System (CPGRAMS) - Any citizens can file complaint against any Central Ministries/Departments/Organisations for Corruption, Nepotism, harassment, mismanagement, absenteeism, Delay in providing services etc. They also launched a mobile app ‘My Grievance’.

46.10.3 APEX/ INDEPENDENT OFFICES/Dept

Following don't fall under any 'Ministry or Dept'

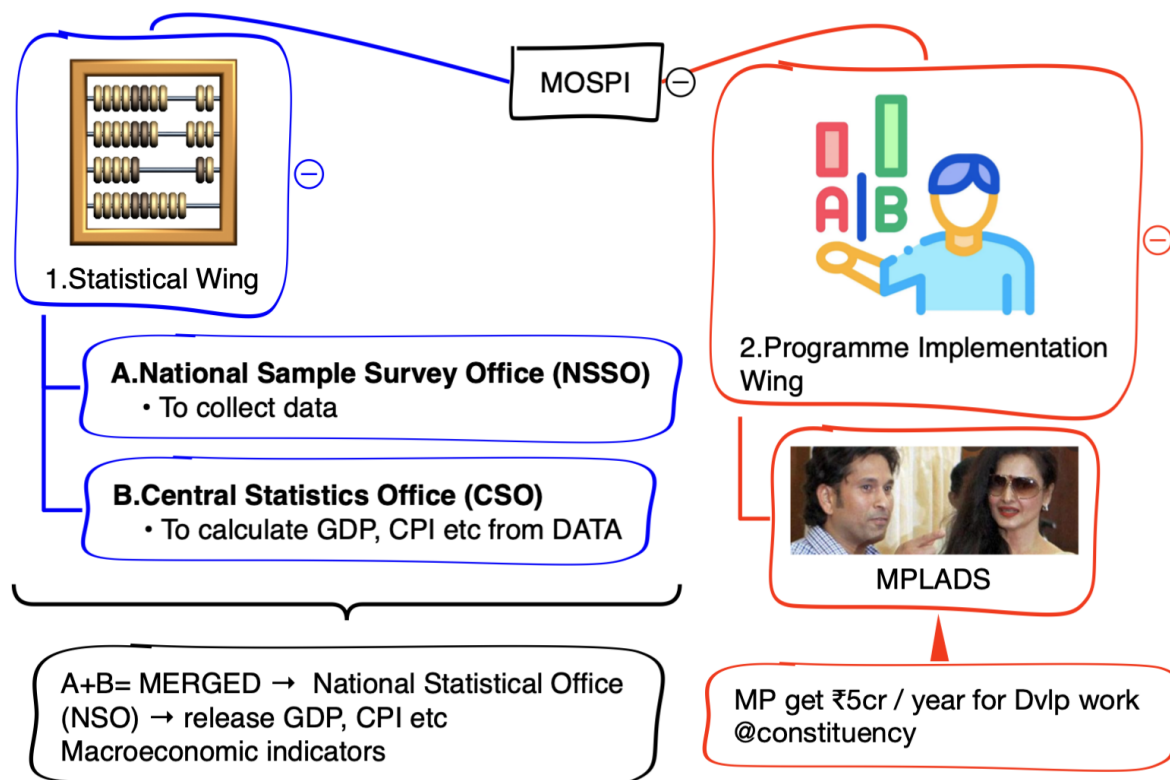
- 1) President's Secretariat (राष्ट्रपति सचिवालय)
- 2) Cabinet Secretariat (मंत्रीमंडल सचिवालय) → Research & Analysis Wing
- 3) Prime Minister's Office (प्रधान मंत्री कार्यालय) → National Security Advisor (NSA: राष्ट्रीय सुरक्षा सलाहकार)
- 4) NITI Aayog (National Institution for Transforming India)
- 5) Department of Atomic Energy (परमाणु ऊर्जा विभाग)
- 6) Department of Space (अंतरिक्ष विभाग)
- 7) National Security Council Secretariat (राष्ट्रीय सुरक्षा परिषद सचिवालय)

AB CD ? MCQ Find correct chronology of formation of the Commissions? (UPSC-CDS-i-2020)

- A. Finance Commission (FC), Planning Commission, Investment Commission, Election Commission (वित्त आयोग, योजना आयोग, निवेश आयोग, चुनाव आयोग)
- B. Election Commission, Planning Commission, FC, Investment Commission
- C. Planning Commission, Election Commission, FC, Investment Commission
- D. Investment Commission, FC, Planning Commission, Election Commission



46.11 📊 🇮🇳 🧑 📈 [YEARBOOK] MOSPI, NSSO, CSO, NSO



Ministry of Statistics and Programme Implementation (MOSPI: सांख्यिकी और कार्यक्रम कार्यान्वयन मंत्रालय)'s administrative head is called 'Secretary & Chief Statistician of India' (भारत के मुख्य सांख्यिकीविद्).- usually, Indian Statistical Service officer recruited by UPSC. MoSPI has →

1. 📊 **National Statistical Office (NSO: राष्ट्रीय सांख्यिकी कार्यालय) →**
 - a. A] **Central Statistics Office (CSO: केंद्रीय सांख्यिकी कार्यालय) →** computation of GDP, GSDP, IIP, ASI, CPI (Rural, Urban, All India) and Economic Census (6th was done in 2013);
 - b. B] **National Sample Survey Office (NSSO: राष्ट्रीय प्रतिदर्श सर्वेक्षण कार्यालय) →** data collection for various socio-economic indicators, Annual Survey of Industries (ASI), Rural-urban prices and other data required for CSO's calculations.
 - c. **2019: MoSPI merged A+B, henceforth it'll be called National Statistical Office (NSO) only.** it will be headed by Chief statistician of India-cum-Secretary of MoSPI. (Earlier, C Rangarajan's National Statistical Commission in 2005 had recommended this CSO+NSSO Merger). Further, MoSPI also planning to setup a **National-Level Data Warehouse**: It'll act as a central repository of all the statistical data collected various ministries, and provide big data analytics.
2. 🧑 **Programme Implementation wing (कार्यक्रम कार्यान्वयन स्कंध) →**
 - a. **Member of Parliament Local Area Development Scheme (MPLADS-1993: सांसद स्थानीय क्षेत्र विकास योजना) →** each MP can suggest development works worth ₹ 5 crore per year in his constituency. (📄 More in Pillar#5: Rural infra)



- b. Twenty Point Programme (2006: बीस सूत्री कार्यक्रम) to measure performance of various schemes related to poverty alleviation, employment, housing, education, health, etc.
- c. Infrastructure Monitoring and Project Monitoring.

46.12 🇮🇳 🧑🏫 📊 NATIONAL STATISTICAL COMMISSION (राष्ट्रीय सांख्यिकी आयोग)

Setup in 2005 in MOSPI by Cabinet resolution based on recommendations of C.Rangarajan Committee. So, neither constitutional nor statutory.

- (संरचना) **Structure?** 1 part time chairman, 4 part time members + NITI CEO (IAS) is ex-officio member = 6 people. Chief Statistician of India serves as 'Secretary' to this commission.
- **Functions?** It replaced the Governing council of the NSSO. It designs the standards of data collection - data publication, coordination among the different agencies involved.
- 🤔 **Controversy?** 2019-Jan: Two members resigned citing "Over the months, we have been feeling that we were not been taken seriously and being sidelined by the govt. NSC had approved the Employment Survey 2017-18 but it's not yet released." Critics allege this Employment survey shows jobs fell after demonetization / GST so Modi did not want data released.

If this type of data manipulation & window-dressing is continued then eventually,

- ⇒ international organisations will lose confidence in India's data collection methodologies. They will not believe fully, even if the Indian economy is growing really. (हमारे आंकड़ों की विश्वसनीयता कम)
- ⇒ Large sized economy has to contribute more money to IMF & in return gets more voting rights in IMF board (e.g. USA). But, if IMF loses confidence in our data collection methodologies, they may not ↑ our quota, even if we become an economic superpower.
- ⇒ International credit rating agencies such as Standard & Poor's (S&P), Moody's, and Fitch Group will give poor ratings to Indian G-Sec and corporate bonds → Foreign investors will feel shy about investing in India or they will demand higher interest rates.

To install faith in official statistical data, Government is doing following

- 1) **Draft National Statistical Commission (NSC) Bill 2019** to give statutory status to National Statistical Commission, so it may work more independently. [वैधानिक स्थान देने के लिए]
- 2) Draft new National Policy on Official Statistics. [नई नीति बनायी जा रही है]
- 3) 2019-Dec: MOSPI setup a **Standing Committee on Economic Statistics (SCES)**. Its Chairman Pronab Sen suggested that
 - Govt should **announce a specific calendar** that on 'x' date of each month or quarter, 'y' Macroeconomic indicator data will be released. [नियमित रूप से एक तय तारीख पर सर्वेक्षण के आंकड़े जारी कीए जाए, ताकि विपक्ष और पत्रकार आरोप न लगा सके कि आँकड़ों के साथ छेड़-छाड़ की जा रही है]
 - This way critiques will have **more confidence** in the data released by the Govt.

46.12.1 🧑🏫 Pronab sen Standing Committee on Statistics (SCoS)-2023

- 2019: MoSPI setup **Standing Committee on Economic Statistics (SCES)**.



- 2023: SCES renamed into Standing Committee on Statistics.(SCoS)
- Committee will advise on the subject/results/methodology, etc related to all surveys.
- Chairman is Pronab Sen.
- 2024-Sept: This committee has been dissolved. Official reason- bcoz Government has set up a separate new committee called “Steering Committee for National Sample Surveys”.
Unofficial reason: Pronab Sen had criticised the government for delay in conducting the population census.

46.12.2 🇮🇳🏆 Mahalanobis National Award for Statistics

- ⇒ P. C. Mahalanobis= Father of Indian Statistics. Architect of 2nd Five Year Plan (FYP)
- ⇒ MoSPI gives P. C. Mahalanobis National Award for outstanding work in statistics.
- ⇒ 2020: Given to C. Rangarajan (ex-RBI governor). He's the 1st person to win it.

46.12.3 🇮🇳⚖️ Collection of Statistics Act, 2008

- ⇒ It regulates the collection of statistics related to social, economic, demographic, scientific and environmental aspects, by central, state and local governments.
- ⇒ Penalty if companies, individuals and households doesn't give information / give false information to the data collectors. सरकारी सर्वेक्षणों को आंकड़े नहीं देने पर व्यक्ति को सजा के प्रावधान।

Sidenote: Data collection / classification is done as per the System of National Accounts 2008 (SNA 2008) by United Nations Statistical Commission (UNSC).

AB CD ? MCQ. National Statistical Commission was established on the basis of the recommendations of which one of the following commissions/committees? (UPSC-Geologist-2020)

A) Rangarajan B) Lodha C) Santhanam D) M.G.K. Menon Committee

46.12.4 📅🔍 MOSPI: List of Surveys done by them

AB CD CDS'25 asked random-GK Q from this list, hence giving here. 📌

- All India Debt and Investment Survey (AIDIS), - Annual Survey of Industries (ASI)
- Comprehensive Annual Modular Survey - for telecom and ICT skill
- Domestic Tourism Expenditure, - Drinking Water, Sanitation, Hygiene, Housing Condition
- Forward-Looking Survey on Private Corporate Sector CAPEX Investment Intention
- Household Expenditure: Services, Durable Goods, Consumer Expenditure (2022-23, 2023-24)
- Land, Livestock Holdings, Situation Assessment of Agricultural Households
- Multiple Indicator Survey in India (Dealing with Sustainable Development Goals 2030)
- National Household Income Survey , - Periodic Labour Force Survey
- Situation Assessment Survey (SAS) of Agricultural Households
- Social Consumption: Health, Education
- Survey of Persons with Disabilities, - Survey of Service Sector
- Survey of Unincorporated Non-Agricultural Enterprises: Manufacturing, Trade, Other Services (2021-22, 2022-23, 2023-24)
- Survey on AYUSH (Ayurveda etc), - Time Use Survey

💡 Note: List is not exhaustive, meaning, there could be even more surveys conducted by MoSPI.



47 🧑🏿♂️ PILLAR#4C: INDICATORS → UNEMPLOYMENT

47.1.1 🧑🏿♂️ Disclaimer on data consistency, if any

🧑🏿♂️ Vampire Babushone FAQ: regarding employment, handout page “A” says Data X% whereas on page “B” says “Y%”, so which one is true?? Ans. The sections are written from PLFS, ES, and news articles from various years. However, the government often revises past data, and economic surveys tend to omit data. It’s a hassle to manually cross-reference and correct everything from the statistical appendix. Instead, focus on the overall trend.



47.2 🧑🏿♂️🌐🧑🏿♂️ INTERNATIONAL LABOUR ORGANIZATION (ILO: अंतरराष्ट्रीय श्रम संगठन)

⇒ 1919: ILO was created as part of the Treaty of Versailles that ended World War I.

⇒ It is a specialised agency of United Nations, HQ: Geneva, Switzerland.

⇒ Famous for its World Employment and Social Outlook report, Global Wage Report etc

47.2.1 ILO- India ratified 6 out of 8 Core Conventions (८ प्रमुख सम्मेलन)

Conventions	Ratified by India? भारत द्वारा अनुमोदित ?
1. Forced Labour Convention	Yes
2. Abolition of Forced Labour Convention	Yes
3. Equal Remuneration Convention	Yes
4. Discrimination	Yes
5. Freedom of Association and Protection of Right to Organize	Not yet
6. Right to Organise and Collective Bargaining Convention	Not yet
7. Minimum Age Convention	Yes
8. Worst forms of Child Labour Convention	Yes

MCQ. Which one of the following core conventions adopted by the International Labour Organization (ILO) has not been ratified by India? (EPFO-2023)

(a) The Forced Labour Convention (b) The Equal Remuneration Convention (c) The Freedom of Association and Protection of the Right to Organize Convention (d) The Discrimination (Employment and Occupation) Convention



47.3 💰👷 WAGE THEORY (वेतन थियरी)

47.4 Wage → Subsistence wage theory of Adam Smith

- Wages paid to workers should be enough so they can afford food, shelter and family expenses. (मज़दूर को इतना वेतन मिलना चाहिए कि वो अपना जीवन निर्वाह कर सके)
- This is called 'subsistence wage'. (निर्वाह मजदूरी)

IF	then
If wages rose above subsistence level	then → more workers will join that sector → labour supply increased → wages will decrease back to subsistence level.
If wages fell below subsistence-level	then → number of workers would decrease and push the wage rates up to the subsistence level.



subsistence
₹15,000

यहाँ जीवन निर्वाह से ज्यादा पैसा मिलता है हम तो इधर ही काम करेंगे!



₹35,000

BEFORE



Labour Supply

too many vloggers we'll pay less wage / ad-revenue!

₹10,000

AFTER



we'll do some other work

ok then let's pay them more

₹15,000



ok i'll work

47.4.1 💰👷 Wage → Natural wage theory of David Ricardo

- also called "Iron law of wages."
- It says real wages always move toward the minimum wage necessary to sustain the life of the worker. (वास्तविक वेतन जीवन निर्वाह के लिए जरूरी न्यूनतम वेतन की दिशा में जाते हैं)

🚩👤 FAQ: Aren't Ricardo and Smith saying almost similar things? Ans. There are some sophisticated differences between their theories, but we will not PhD.

47.4.2 💰👷 Wages → Misc. Theories

Theory	Meaning
Residual-claimant theory of wages	After an entrepreneur pays other factors: 1) land pe rent 2) loan pe interest 3) investors ko profit → whatever money is remained → that'll be the level of wages. (उद्योगपति किराया, ब्याज और मुनाफे का पैसा एक तरफ रख देता है फिर जो रकम बचेगी, तो वह वेतन के रूप में मजदूरों को देगा)
Bargaining theory of wages	Workers, factory owners, and trade unions, who determine wages via negotiation. (फैक्ट्री मालिक व मजदूर संघ के आपसी समझौते से तय होता है - वेतन कितना मिलेगा)

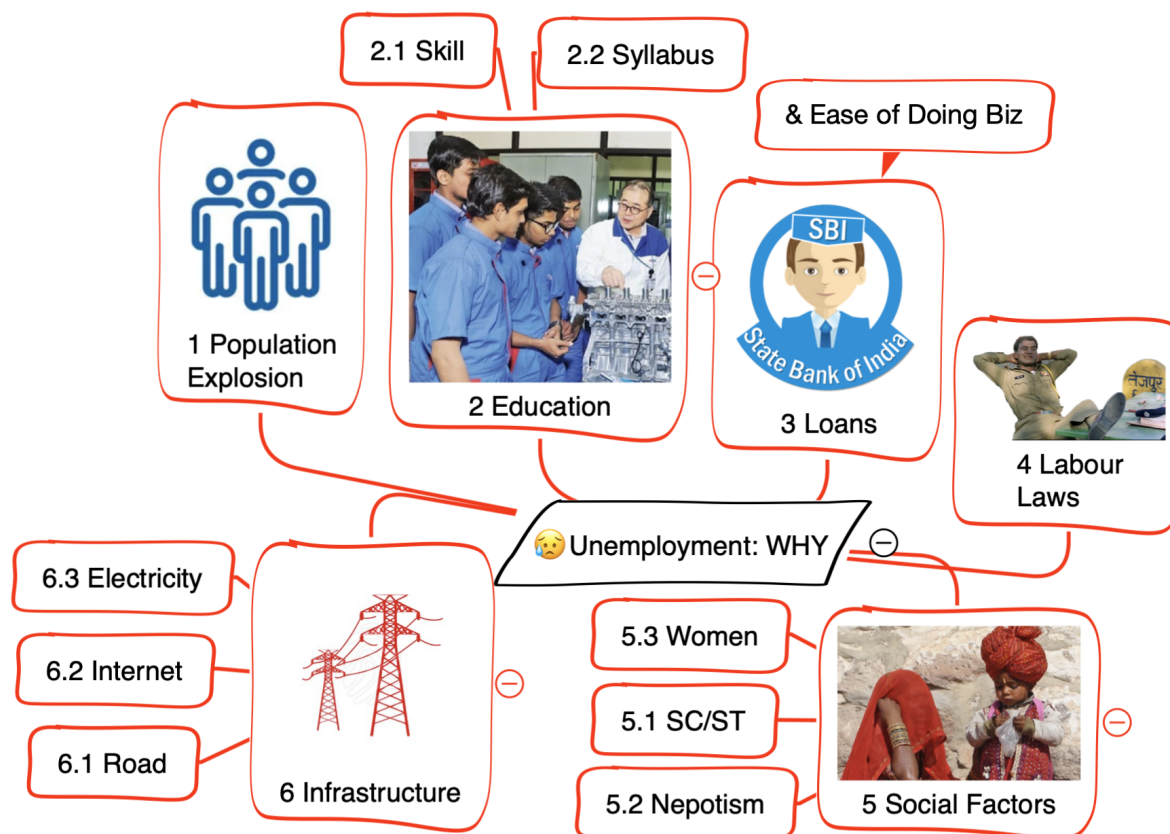


Marginal productivity theory	How much salary will owner pay to the worker? depends on how much value, the worker is adding to the company. (एक मजदूर कंपनी की कमाई में कितना योगदान दे रहा है? उसे हिसाब से उसे वेतन मिलेगा)
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47.5 🧑🏫📊 OCCUPATIONAL OF INDIAN WORKERS

Sector	2017–18 Share (%)	2023–24 Share (%)
Agriculture	44.1	46.1
Manufacturing	12.1	11.4
Services	31.1	29.7
Total^^	87.3	87.2

🧑🏫^^FAQ: Why sum is NOT 100%? Ans. Bcoz, mining, construction, bijli-gas utilities, etc not given



47.6 🧑🏫♂ UNEMPLOYMENT → INVOLUNTARY → TYPES

- 1) **Voluntary** Unemployment (स्वैच्छिक बेरोजगारी): a person is out of job on his own choice. Either he wants higher wages or doesn't want to work at all.
- 2) **Involuntary** unemployment (अनैच्छिक बेरोजगारी): person is willing to work at the prevailing wage rates, but unable to find work due to factors beyond his control.

47.6.1 🧑🏫♂ Unemployment Major Types and Reasons: (बेरोजगारी के प्रमुख प्रकार/ कारण)

⇒ Slow Economic Growth vs Rapid Population Growth. आबादी की वृद्धि के सामने आर्थिक वृद्धि कम



- ⇒ Defective Educational System, Lack of skill / employability. [शिक्षा प्रणाली, कौशल्य की कमी]
- ⇒ Lack of Banking/Transport/Communication Infrastructure in some areas → people unable to pursue educational and economic goals [बैंकिंग, संचार, परिवहन की बुनियादी अवसंरचना की कमी- इसलिए कुछ गरीब लोग शिक्षा और आर्थिक अवसर ढूँढ नहीं पाते]
- ⇒ Social Factors- discrimination against SC/ST/Women/PH. [कमजोर वर्ग के खिलाफ भेदभाव]
- ⇒ (More in 📄 Pillar#6: HRD- Education, Skill, Poverty)

Types	Features
Cyclical (चक्रीय बेरोजगारी)	⇒ Economy goes through boom-bust cycles. [आर्थिक तेज़ी/मंदी] ⇒ during bust / recession / depression when workers are laid off on mass scale. ⇒ E.g. Maruti removed 3000 workers in 2019 because car sales ↓ .
Frictional (प्रतिरोधात्मक)	⇒ When a person is out of one job and is searching for another job. During this transition time, he's deemed frictionally unemployed. [एक नौकरी छोड़ के दूसरी ढूँढ रहा है]
Disguised Unemployment (प्रच्छन्न)	⇒ Unemployment which is not visible because person seems visibly working but his marginal productivity / contribution is zero. ⇒ E.g. Farming family of 4 persons produces 200 kgs of grapes, but even if you remove 3 persons still production remains at 200 kgs. ⇒ ऐसी बेरोजगारी जो दृश्यमान तो नहीं किन्तु मज़दूर का सीमांत उत्पादन शून्य है।
Seasonal (मौसमी)	⇒ Labourers in Agriculture, Salt-pans, Sugar Mills, Ice-factory, Tourist spots, Marriage Catering-Orchestra etc.
Underemployment (अल्परोज़गार) or Educated unemployment	⇒ Person is employed but not in a befitting position or salary corresponding to his qualification. ⇒ e.g. M.Com working as Swiggy delivery boy, M. Tech working as Bank clerk etc.
Technological Unemployment (प्रौद्योगिकी / मशीनीकरण/ रोबोट-यंत्रमानव के उपयोग से मज़दूरों की बेरोजगारी)	⇒ When men are replaced with machines e.g. Handloom workers vs Textile Machines, Horse carriage vs Automobile. ⇒ 2018-Sept: World Economic Forum released "Future of Jobs Report". It says, by 2025, machines will do more work than humans. As a result, 75 million worker jobs may be lost, but 133 million new jobs may emerge in robot repair/robot software design etc. Hence urgently workers need to be reskilled.
Open / Structural (संरचनात्मक) [आदमी का कौशल्य, बाज़ार की ज़रूरतों के अनुकूल नहीं]	⇒ Lack of jobs when person's skill/qualification is insufficient for the jobs available in the market ⇒ e.g. An IT Graduate knows C++ language but demand is for software developers of Python/JAVA computer language.
Natural rate of unemployment. (NROU)	sum of frictional unemployment and structural unemployment is referred as the natural rate of unemployment. (NIOS Textbook)



Types	Features
बेरोजगारी का प्राकृतिक दर	
Non-accelerating Inflation rate of unemployment (NAIRU)	Refer to pillar4E: Inflation and Phillips Curve.

MCQ. The unemployment that occurs due to changes in the technology or in the demand for particular products is called _ _ (CDS-2023-I)

- (a) frictional unemployment (b) structural unemployment
(c) cyclical unemployment (d) disguised unemployment

47.7 EMPLOYMENT RELATED TERMS IN NEWS

47.7.1 📈 Baumol's Cost Disease Theory / labour cost rising (1965)

- ⇒ by American economists William J. Baumol and William G. Bowden.
⇒ increase in the wages of some labourers even though their productivity or skill has not increased commensurately. (मज़दूर की उत्पादकता/ कौशल्य नहीं बढ़ा, लेकिन बस उनका वेतन/तनख्वाह बढ़ रही है)

Reason: shortage of worker. Examples given below:

- ⇒ USA: salaries of doctors / college professors etc.
⇒ India: wages of farm labourers in Punjab/Haryana due to labour shortage created by MGNREGA. (Ref: Pillar#4A: Farm mechanisation)

47.7.2 🌙 Moonlighting

- ⇒ Moonlighting means taking up a second job or multiple other work assignments apart from one's full-time job. (मुख्य नौकरी के अलावा और भी दूसरी नौकरी करना, ताकि ज़्यादा पैसा कमाने के लिए।)
⇒ Wipro, Infosys, etc. have removed workers for this because such worker may disclose parent company's trade secrets / software codes / client list to other rival companies.

47.7.3 🚪👤 Backdoor layoffs by Google to avoid negative PR?

- If company directly mass-layoffs thousands of worker → negative PR, social media outrage. e.g. TCS mass layoff of 12000+ employees in 2025.
- So, Google company allegedly using "Backdoor layoffs" i.e. making the work atmosphere unpleasant/unwelcome to the worker, so he leaves voluntarily. e.g. transferring him to far away location, not giving him important assignments etc. (ऑफिस का माहौल ही ऐसा बना दो कि कर्मचारी खुद ही निराश हो के नौकरी छोड़ दे, ताकि कंपनी की मीडिया में निंदा न हो।)

47.7.4 🏡 Digital Nomads & Sikkim's Yakten Village

- Digital nomads = a person who earns a living working online in various places of their choosing across the world (rather than a fixed business location or home location). Examples are sharemarket traders, vloggers, and influencers. (डिजिटल ख़ानाबदोश- जो दुनिया में अलग अलग जगहों पर रहके रोज़गार करता है)
- Sikkim's **Yakten** Village is named India's first digital nomad village, providing rental homes (₹800-1500 per day), 24/7 electricity, Wi-Fi at 100 Mbps speed, etc., to attract digital nomads.



- 👉 **Criticism?** In Europe, public protest against digital nomad because (1) digital nomads do not respect the local culture and (2) cause inflation in the home rents for ordinary local public. (स्थानिक सभ्यता संस्कृति का सम्मान नहीं करते और मकानों के किराया बढ़ाते हैं।)

47.8 🧑🏫🇮🇳 UNEMPLOYMENT → NSO SURVEY TYPES

NSO surveys →	Quinquennial Employment and Unemployment Surveys	Periodic Labour Force Survey (PLFS) आवधिक श्रम बल सर्वेक्षण)
Survey frequency? (सर्वेक्षण की आवृत्ति कितनी समयावधि पर)	Every 5 years. Starting from 1972. Last survey done in 2011-12. Then discontinued	⇒ Annual. Started since 2017 ⇒ PLFS Survey : workers aged 15 years or higher are counted.
Which households are surveyed? (कितने घरों का सर्वेक्षण)	Non-agriculture workers in rural and urban areas (केवल गैर कृषि मजदूरों का सर्वेक्षण)	⇒ Both urban & rural, agro & non-agro covered. (शहरी ग्रामीण कृषि गैरकृषि सभी का सर्वेक्षण)

47.9 🧑🏫🇮🇳 UNEMPLOYMENT: PERIODIC LABOUR FORCE SURVEY (PLFS)

PLFS Annual Report No.	Release Year (कब प्रकाशित हुआ)	Time period Covered (उस रिपोर्ट में किन वर्षों का डेटा है?)
Report #1	2019-May	July 2017- June 2018
Report #6	2023-Oct	July 2022-June 2023.

Apart from this, MOSPI → NSO also releases quarterly bulletins e.g.

Quarter	Released in
Q2:Jul-Sept-2020	2021-Aug
Q3:Oct-Dec-2020	2021-Sept

🧑🏫🧑🏫🧑🏫 But preparing the quarterly data = poor cost:benefit from exam point of view.

47.9.1 🇮🇳🧑🏫 Indicators → unemployment rate (UR: बेरोज़गारी दर)

🧑🏫🧑🏫🧑🏫 **Labour force** (श्रमिक वर्ग) = Those who are 'working' (or employed) + Those 'seeking or available for work' (=involuntarily unemployed).

$$\text{Unemployment Rate} = \left[\frac{\text{No of (involuntarily) unemployed persons in labour force}}{\text{Total labour force}} \right] \times 100$$

For example: 2018: Unemployment Rate= (3 cr divided by 51.8cr) x 100 = 5.8%

Table 3: NSO measures unemployment in 3 different approaches viz.

Current Weekly Status	If not employed even 1 hr work in a week
Current Daily Status	If not employed even 1 hr work in a day in a given week.
Usual Status (US: सामान्य रूप से)	- It's further subdivided into Principal Activity Status (ps) and Subsidiary Economic Activity Status (ss) but internal difference-poor cost-benefit. - If he worked for min. 30 days out of 365 days = employed, ELSE he's deemed unemployed. - In official reports, this figure is given more prominence.



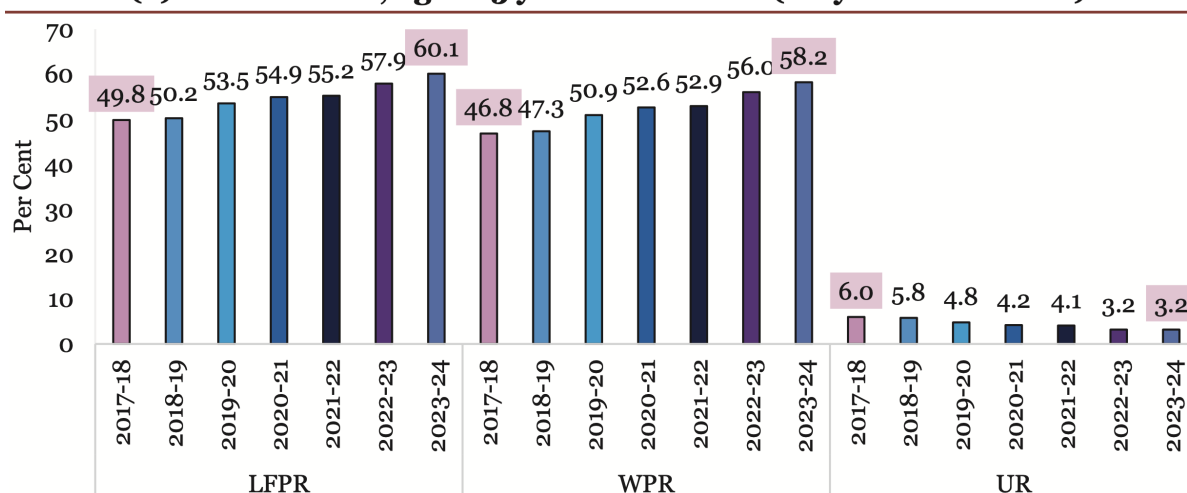
	- NSO's periodic labour force survey for 2017-18 says unemployment rate = 6.0% as per (US PP+SS: 2017) which is highest in last 45 years.
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- As per Eco survey: **High % of unemployment:** Arunachal, Kerala, Manipur, and Bihar
- **Low % of unemployment:** Gujarat, Karnataka, West Bengal and Sikkim
- **Unemployment %:** highest among urban youth (20%) and is lowest among "illiterates" at 1.1% (बेरोज़गारी का प्रतिशत शहरी युवाओं में सबसे ज़्यादा है। अनपढ़ों में बेरोज़गारी सबसे कम)

47.9.2 DATA-sets from PLFS

Note: usual state for age-15 & above male female urban rural combined

(a) Usual status, aged 15 years and above (July – June Period)



47.9.3 / () Indicators → Worker Population Ratio (WPR)

It is the percentage of employed persons in the population.

$$WPR = \left[\frac{\text{no of employed persons} \text{ (worker icon)}}{\text{total population of the country} \text{ (population icon)}} \right] \times 100$$

47.10 / () INDICATORS → LABOUR FORCE PARTICIPATION RATE (LFPR)

(LFPR) is the % of persons in labour force (i.e. working or seeking or available for work) in the population. (श्रम बल भागीदारी दर)

$$\left[\frac{\text{no of employed persons} \text{ (worker icon)} + \text{no of involuntarily unemployed persons} \text{ (unemployed icon)}}{\text{total persons of the country} \text{ (population icon)}} \right] \times 100$$

- 2017: 37% (male+female in rural+urban combined). It can't be 100% because there will be children, elderly outside the '15-59' age group meant for workers.
- ♀ LFPR for female: Replace the word 'person' with 'female' in above formula. It's lower than male LFPR.

$$LFPR(\text{female}) = \left[\frac{\text{no of employed female} \text{ (worker icon)} + \text{no of involuntarily unemployed female} \text{ (unemployed icon)}}{\text{total female of the country} \text{ (population icon)}} \right] \times 100$$



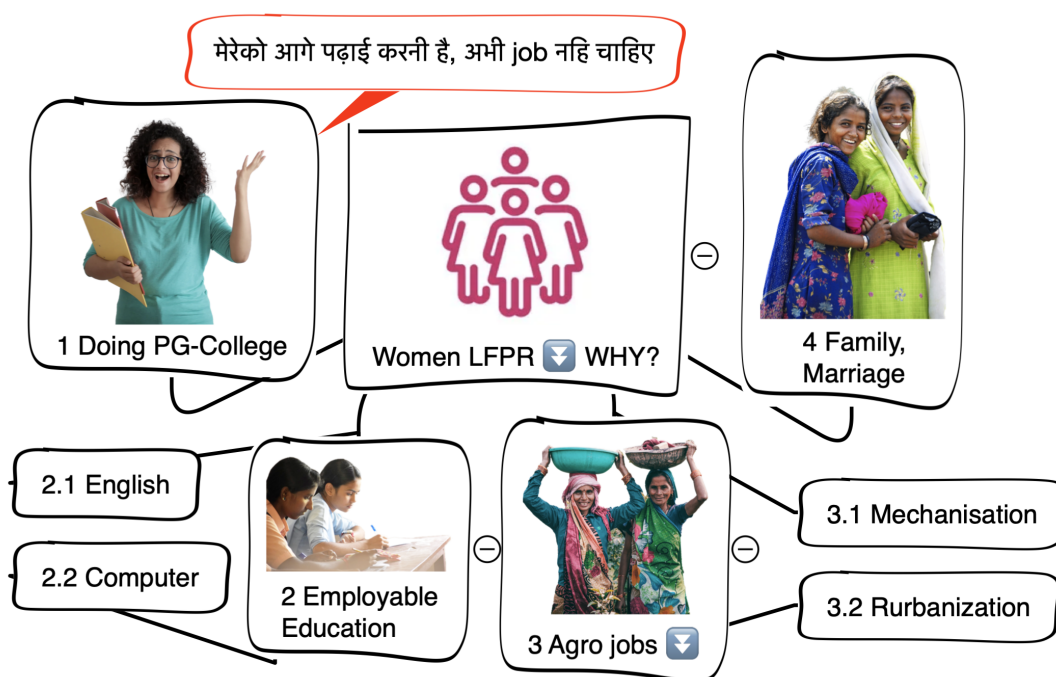
Year	All India Female-LFPR (%)	Rural female-LFPR (%)
2017-18	23.3	24.6
2023-24	41.7	47.6

- Sikkim has max 56.9% female LFPR.
- Urban Female LFPR tends to be lower than LFPR than rural due to city women pursuing higher education so not looking for job at present, husband is earning big so housewife staying @home. More than 75% rural female workers are working in Agriculture
- Female LFPR is much less than MALE LFPR

ES25: Female LFPR increased bcoz of

- (1) by the rising participation of rural women.
- (2) Better capturing female workers in unpaid work by the PLFS survey.
- (3) various government schemes for women (Ref: Pillar#6D)

47.10.1 🧑🏻♀️ ☐ Why FEMALE LFPR Declined between 2004 to 2018?



From 2004 to 2017, LFPR (Female: rural+urban) steadily declined ↓ (from 45% to 23%) because-

- ❖ ↑ women pursuing higher studies → their entry in the job market is delayed.
- ❖ ↑ in income of (some) rural men → their wives have stopped working as labourer and just playing domestic housewives role. [कुछ ग्रामीण मर्दों की आमदनी बढ़ी तो पत्नी की नौकरी बंद करवाई]
- ❖ ↑ mechanization of agriculture & animal husbandry → ↓ demand for female agri workers.
- ❖ ↓ textile/leather exports due to US/EU protectionism → ↓ demand for female workers
- ❖ ↓ real estate sales → ↓ construction of new buildings → ↓ female laborers

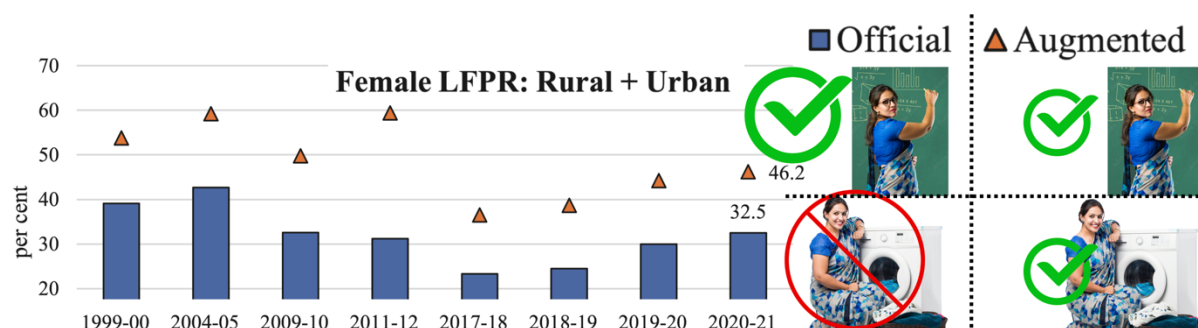


- ❖ Cultural factors, social constraints and patriarchal norms restricting mobility and freedom of women. (सांस्कृतिक कारक, सामाजिक बाधाएं और पितृसत्तात्मक मानदंड के चलते महिलाओं की आजादी पर पाबंदी)
- ❖ Many rural / small-town girls don't have require knowledge of computer and English to get jobs in emergent startup sectors. (अंग्रेजी और कंप्यूटर ज्ञान की कमी)
- ❖ NSO's Time Use Survey, 2019 reported that females spend relatively more time in unpaid domestic and caregiving activities (7.5 hours) than in paid/employment activities (5.7 hours) per day. (महिलाएँ रोजगार से ज्यादा समय घरेलू अवैतनिक कार्यों में बिताती हैं)
- ❖ Examples of unpaid domestic activities = taking care of children, elderly in the household, Cooking, cleaning home etc. (जैसे की बच्चे और बुजुर्गों की देखभाल, रसोई, साफ़ सफ़ाई)
- ❖ Solution? Government should invest in child care / day care facilities, paid parental leave, family-friendly work environment, and elderly care facilities, Equal pay and career progression for women, medical and social security benefits for female workers. If these things are not available then there will be more family pressure on the women not to do the job and take care of the house. (सरकार ने ऐसी सुविधाएँ प्रदान करनी चाहिए जहाँ नौकरीशुदा महिलाओं के बच्चे और बुजुर्गों की देखभाल की व्यवस्था हो, महिलाओं के लिए वेतन तथा पदोन्नति में पुरुषों के समान अवसर उपलब्ध हो, अन्यथा परिवार की तरफ़ से महिला पर नौकरी की जगह घर की देखभाल का बोझ का दबाव ज्यादा रहेगा)

47.10.2 Solution to improve LFPR? [कैसे इज़ाफ़ा / बढ़ोतरी करें?]

- ⇒ Government schemes for skill development and entrepreneurship among women → Ref: Pillar6-HRD → Women empowerment. (महिला सशक्तिकरण के लिए विविध कौशल विकास योजनाएं)
- ⇒ Government should invest in child care / day care facilities, paid parental leave, family-friendly work environment, and elderly care facilities, Equal pay and career progression for women, medical and social security benefits for female workers. (नौकरीशुदा महिलाओं के बच्चे और बुजुर्गों की देखभाल की व्यवस्था, महिलाओं के लिए वेतन तथा पदोन्नति में पुरुषों के समान अवसर उपलब्ध हो)
- ⇒ If these things are not available then there will be more family pressure on the women not to do the job and take care of the house. (अन्यथा परिवार की तरफ़ से महिला पर नौकरी की जगह घर की देखभाल का दबाव)

47.10.3 Augmented Female LFPR (संवर्धित महिला एलएफपीआर)



- ⇒ 1) PLFS only counts women who're doing or looking for PAID Work.
- ⇒ 2) so, PLFS survey does not count women who are doing (UNPAID) domestic duties including free collection of goods (vegetable, firewood, cattle feed, etc.), tailoring, etc. for household use" = PLFS doesn't count them as 'workers'



⇒ 3) so 📖 ES23 came up with a new formula

Augmented Female LFPR

= (regular) female LFPR PLUS (+) UNPAID women mentioned in above bullet-point#2.

📌 FAQ: “numbers given in above chart are not matching with previous table!”

Ans. Yes, because previous table gives LFPR of ALL ages, whereas above chart shows LFPR only for age 15 and above. I am simply copy pasting the data given in Economic Survey.

47.10.4 📖 ES25 : unemployment data

Indicator	17–18 (%)	23–24 (%)	Comments
Unemployment Rate (UR)	6.0	3.2 ↓↓	घी दूध की नदिया बह रही है
Self-Employed Workers in Workforce	52.2	58.4 ↑↑	due to rise of gig-workers & entrepreneurship
Casual /temporary workers	24.9	19.8 ↓↓	bcoz gig-workers are not ‘workers’ but ‘self-employed’
Female-LFPR	23.3	41.7 ↑↑	mainly by rural women
Male workers in Agro	40.2	36.3	Bcoz, Men migrating to city for jobs

Indian economy needs to generate 78.5 lakh non-farm jobs annually until 2030.

47.11 👩💰 SALARIES OF INDIAN WORKERS- 📖 ES25:

Table XII.2: Trends in earnings

₹ Nominal Value	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Self-employed	10323	10454	10563	11678	13131	13279
Regular	15885	16728	17572	18391	19491	20702
Casual	277	291	318	374	403	418

Note:1. For regular and self-employed workers, average monthly nominal earnings are reported.
2. For Casual workers, the average per-day earnings are reported.

status, gender and location (for 2023-24)

₹ Nominal Value	Rural			Urban			Total		
	Male	Female	Person	Male	Female	Person	Male	Female	Person
Self-employed ⁵⁰	13,907	4,907	11,422	22,930	8,489	20,055	16,007	5,497	13,279
Regular ⁵¹	18,029	11,914	16,626	25,501	19,709	23,974	22,092	16,498	20,702
Casual ⁵²	434	290	402	529	354	506	450	296	418

Note:1. For regular and self-employed workers, average monthly nominal earnings are reported.
2. For Casual workers, the average per-day earnings are reported.

Source: Annual PLFS 2023-24, MoSPI

47.11.1 👩💰 Profit increasing, but salary & job not 📖 ES25:

- Average salary of workers ₹15,885 (FY19) to ₹20,702 (FY24) = 30% increase
- but in the same time, companies profit increased 4x times = 300%

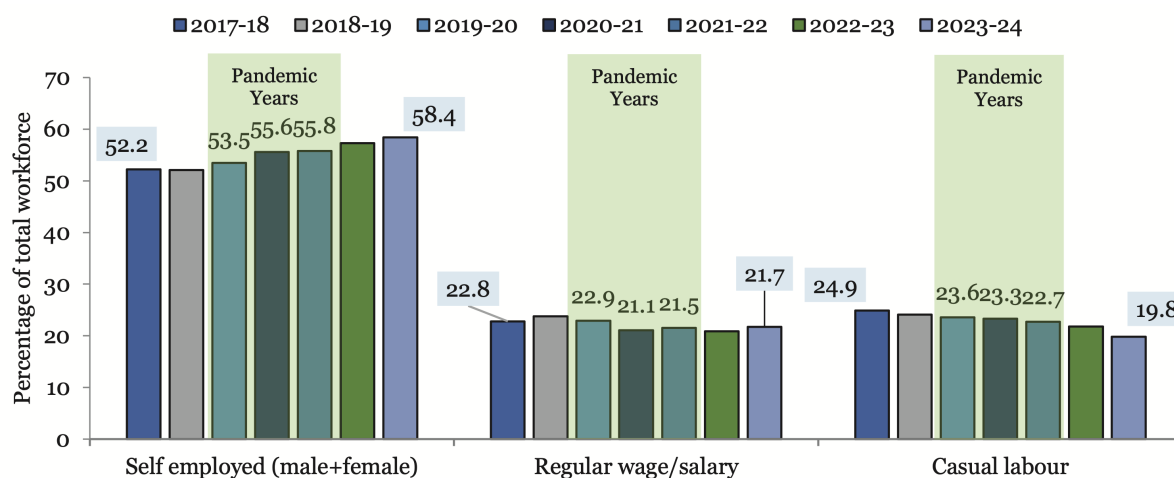


- FY24: Company profit 22% but, New hiring only 1.5%. Problem of mass layoffs

47.11.2 🧑💰 Copy Japanese model for high salary - 📖 ES25:

- Even after defeating the WW2, Japan is a developed country. Bcoz, Japan has a social contract between the government, Japanese workers, consumers, and retirees.
- Consumers will overpay for goods and services → companies will use the money for expanding manufacturing & R&D; and paying decent salaries to workers, while the government invested in top-tier infrastructure (from tax collected from companies profit).
- Whereas In India, customer are also overpaying for goods-services; companies is not using much profit for R&D / wages. (Ref: Pillar#4B-IPR)

47.12 🧑🏻♂️🧑🏻♀️ WORKERS TYPES BY NSO



self-employed स्व-रोजगारी	⇒ those who work for themselves & charge 'fees'. They do not sell their labour power to anyone else for a "wage", so they are their own 'boss'. सेवा के बदले फीस लेते हैं, तनखाह/वेतन नहीं ⇒ subcategories: 1) Own Account 2) Partners / Owners / Employers Of Business Firm 3) Unpaid Family Labourers
wage/salaried employees	They sell their labour to 'boss (employer)', for predetermined wages/salary. Their job continuous round the year. नियत वेतनभोगी कर्मचारी Their numbers decreased ↓ as per latest PLFS (it was bound to happen due to Corona) कोरोना महामारी के चलते वेतनभोगी श्रमिकों / कर्मचारियों की संख्या कम हुई
casual workers अनियत कर्मचारी	⇒ They sell labour for 'wage' but 'boss (employer) hires them for very short time period on daily or monthly basis. [बहुत छोटे समय के लिए काम मिलेगा] ⇒ As per Latest PLFS: Male = no significant %change (कुछ खास बदलाव नहीं) ⇒ Female = Their proportion ↓ in Corona-2020 (female ragpickers, construction workers etc removed from job in lockdown)



47.12.1 Worker Types → Census-2011 classification of workers

Worker type	Employed for this much duration in a year
Main worker	6 months or more. (183 days to be precise)
Marginal worker	less than 6 months. (सीमांत श्रमिक)

MCQ. As per Census, 'Main Worker' is a person who works for at least __ days in a year (Geologist-2020) A) 100 days in a yr. B) 153 days C) 183 days in a year. D) 200 days in a year.

MCQ. Find correct statement(s) about Indian economy after the 1991 (Prelims-2020)

- Worker productivity per worker (at 2004-05 prices) increased in urban areas while it decreased in rural areas. (मज़दूरों की उत्पादकता शहरों में बढ़ी गाँव में कम होगी)
- The percentage share of rural areas in the workforce steadily increased.
- In rural areas, the growth in the non-farm economy increased.
- The growth rate in rural employment decreased. (गाँव में रोज़गार वृद्धि दर में गिरावट)

Codes: (a) 1 and 2 only (b) 3 and 4 only (c) 3 only (d) 1, 2 and 4

MCQ. Find right about PLFS 2017-18? (UPSC-CAPF-2020)

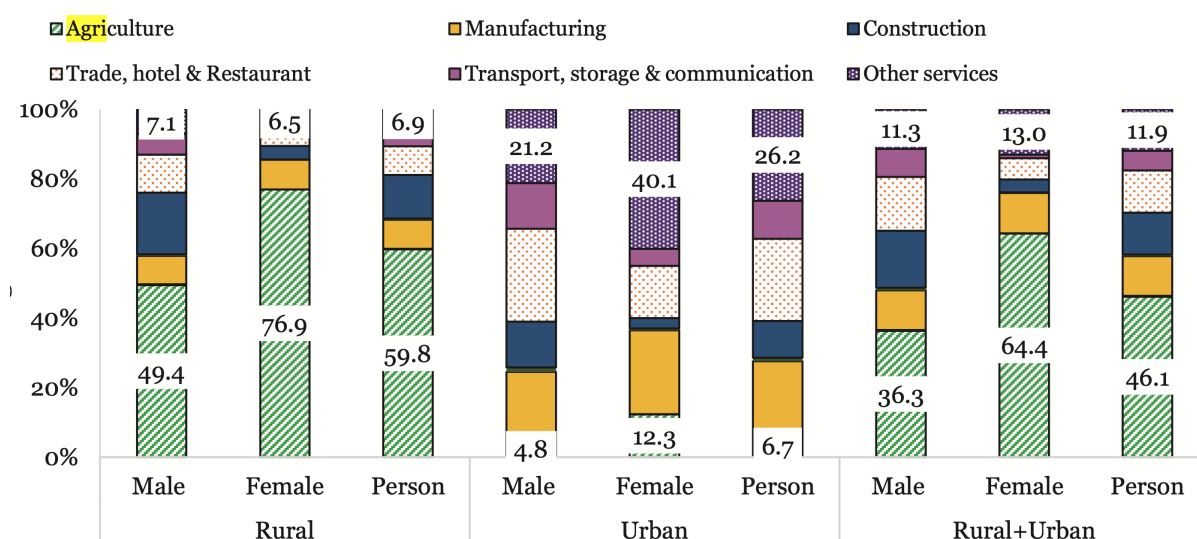
- Construction sector gave employment to nearly 1/10th of urban male workforce in India
- Nearly 1/4th of urban female workers in India were working in manufacturing sector
- 1/4th of rural female workers in India were engaged in the agriculture sector

Codes: (a) 2 only (b) 1 and 2 only (c) 1 and 3 only (d) 1, 2 and 3

MCQ. In India, which one of the following compiles information on industrial disputes, closures, retrenchments and lay-offs in factories employing workers? (Prelims-2022)

- (a) Central Statistics Office (b) DPIIT (c) Labour Bureau
(d) National Technical Manpower Information System (HINT: Word association!)

47.12.2 Workers in each sector- agri, mfg, services as per ES25 based on PLFS'23



MCQ. Find WRONG about workforce employed in India? (GPSC'25)

- (A) The primary sector has the largest proportion of workforce employed



(B) In urban areas, industrial sector has the largest chunk of workforce (**HINT:** city mein services sector has max workers, NOT industrial sector. Observe above graph carefully.)

(C) In rural areas, workforce is primarily engaged in the primary sector

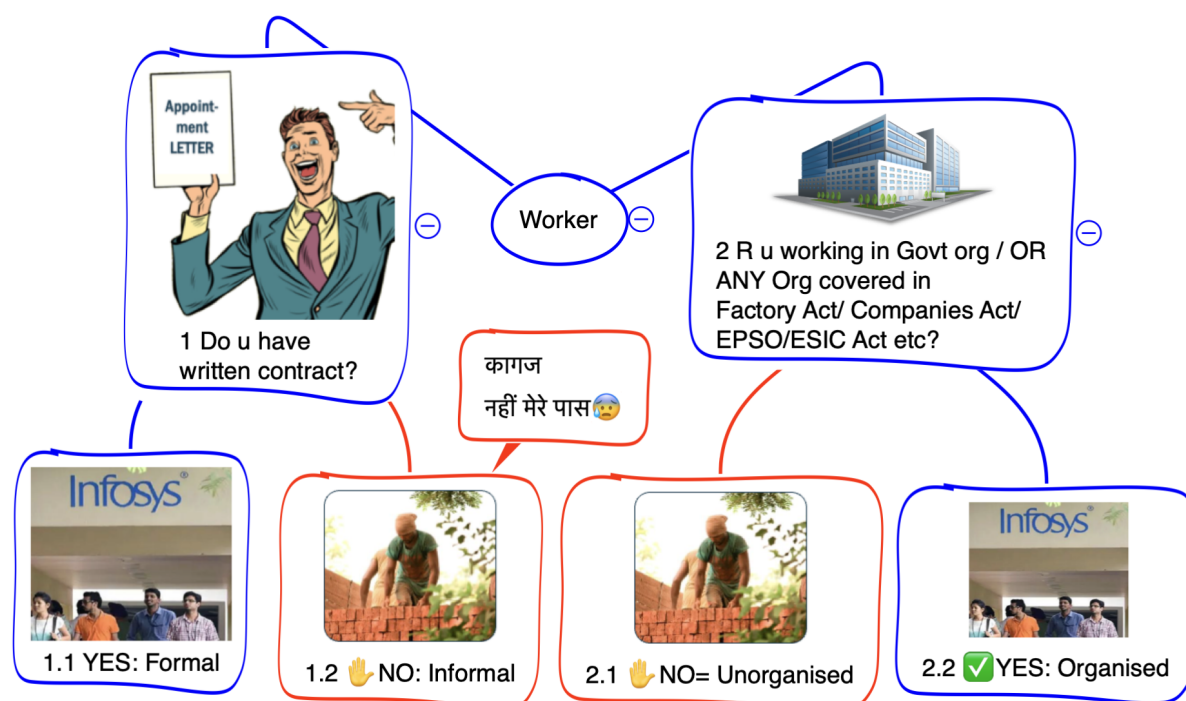
(D) Since the beginning of planning, %workforce employed in primary sector has decreased

AB CD MCQ. Find correct about employment in India (CAPF'25)

1. The agriculture sector remains dominant in employment, with its share rising from about 44 per cent in 2017-18 to about 46 per cent in 2023-24.

2. The share of female workers in agriculture has increased during the period 2017-18 to 2023-24.

Codes: (a) 1 only (b) 2 only (c) **Both 1 and 2** (d) Neither 1 nor 2



47.12.3 Worker Types → Unorganized sector

Type of Employment	Organized	Unorganized	Total
Formal	5.09	0.80	5.89
Informal	4.46	43.19	47.64
Total	9.55	43.99	53.53

An unorganized sector (असंगठित क्षेत्र) **firm** is not registered under any law such as Shop Establishment Act, Factory Act, Companies Act, Statutory Corporation, Govt org etc.

⇒ Unorganized sector consists of individuals / self employed workers engaged in non-trade-unionized casual / seasonal work with irregular payments & lack of social security like EPFO/ESIC. (मजदूर संघ नहीं होता स्थाई/नियमित रूप से काम/आमदनी नहीं, सामाजिक सुरक्षा का अभाव)

⇒ Government has enacted Unorganized Sector Workers' Social Security Act, 2008 to provide them with life and disability cover, health and maternity benefits, old age protection etc. (जीवनबीमा, और विकलांगता बीमा, स्वास्थ्य और मातृत्व लाभ, बुढ़ापे की सुरक्षा आदि।)

⇒ Formalization of jobs = when proportion of formal workers ↑.



47.12.4 🧑🏿👷 Worker Types → Informal worker (अथवावधि/अनौपचारिक मजदूर)

⇒ = Person who is not in the formal records / contract of a firm. So he could be in unorganized sector and he could be even in 'organized sector' e.g. driver / Security Guard / Chowkidaar / gardener in Reliance Ltd.

⇒ Non-Agri Sectors where large % of workers are Informal workers

rs: Construction (>80% of its workers), Mining (>30% of its workers), Transport Hotel restaurant (>10% of its workers) ये गैर-कृषि क्षेत्र हैं जहाँ के मजदूरों में, ज्यादातर अनौपचारिक / अथवावधि मजदूर हैं

⇒ They are usually deprived of Minimum wages, EPFO/ESIC's Insurance/pension/social security = Cannot afford to stay in the city area during Corona uncertainty.

⇒ So they would quickly flee to the village home in panic.

⇒ Corona: more than 60 lakh migrant workers travelled through Shramik Special trains in May-August 2020. = factory production / Supply ↓ ↓ (अथवावधि इन मजदूरों को सामान्य रूप से न्यूनतम वेतन, तथा सामाजिक सुरक्षा लाभों से वंचित रखा जाता है इसलिए महामारी की अनिश्चितता के दौरान वे तुरंत वतन वापसी करते हैं. जिससे फ़ैक्ट्री उत्पादन/ आपूर्ति में गिरावट)

AB CD ? MCQ. Which about India's unorganised sector are true? [UPSC-CDS-2014-I]

1. Labour is more in number than that in the organised sector.
2. Job security and work regulation are better in unorganised sector.
3. They are usually not organised into trade unions.
4. Workers are usually employed for a limited number of days.

Answer Codes: (a) 1, 2 and 4 (b) 1, 3 and 4 (c) 3 and 4 (d) 1 and 3

47.12.5 🧑🏿♂️📄 Worker Types → Unorganized workers → E-Shram Portal (2021)

⇒ National Database of Unorganized Workers By Ministry of Labour & Employment

⇒ to register approx 38 crore Unorganised Workers of India such as construction workers, migrant workers, street vendors, domestic workers, milkman, truck drivers, fisherman, agriculture workers etc. असंगठित क्षेत्र के मजदूरों के पंजीकरण के लिए श्रम मंत्रालय का एक ऑनलाइन पोर्टल बनाया गया है

⇒ There is no registration fee. Upon registration the workers shall be issued a e-SHRAM card with unique Universal Account Number (UAN). पंजीकरण के लिए कोई फीस नहीं लगेगी

⇒ He can use it for various social security schemes through this Card anywhere anytime.

⇒ 🏆 E-Shram Portal registered worker will get Rs 1.0 lakh on partial disability and Rs 2.0 Lakh Accidental Death. आंशिक विकलांगता और आकस्मिक मृत्यु पर मुआवजा मिलेगा

- 📖 ES23: So far more than 28 cr registered.

- Area-wise Highest from: UP (29%) > Bihar (10%) > W.Bengal (9%)
- Sector wise: Highest: Agri (52%) > Domestic Workers (9.8%) > Construction. (9.1%)

47.12.6 🧑🏿🕸️ e-Shram Microsites by labour Ministry (2025-Jan)

- National e-Shram website → below that → state-specific digital platforms/sites are called e-Shram Microsites



- These state-specific Microsites help in (1) two-way integration between state portals and the eShram portals, (2) simplified registration of unorganised workers, (3) workers receive real-time updates on welfare schemes and job opportunities.

47.12.7 🧑🍳🚗 Worker Types → Gig workers & Two sided market - 📦📦 ES21

- ⇒ Definition: Gig workers are temporary workers who are engaged in livelihoods outside the traditional employer-employee arrangement. Delivery boys, app-based taxi drivers, service providers such as cleaners and technicians, and freelance workers are all part of the gig economy.
- ⇒ DATA: 7.5 million+ workers were engaged in the gig economy in 2020-21, and this number could grow to more than 20 million in the next 8 year.
- ⇒ Problem: usually deprived of social security benefits such as maternity leave, EPFO, ESIC, unemployment allowance, disability allowance etc.

Digital technology enables such **two-sided markets**. Its features are: (दो बाज़ूओं वाला बाज़ार)

- ⇒ 1) two sets of **agents** (Buyer and seller) interact through an intermediary or platform or **Aggregator** app (Amazon, Ola, Uber etc) (दो एजेंट आपस में एक बिचौलिए के द्वारा आदान प्रदान करते हैं)
- ⇒ 2) the decisions of each set of agents affects the outcomes of the other set of agents (e.g. Customer gives 5-star delivery rating or not → Delivery boy's payment affected etc)

Gig worker- Characteristics/Features: (गीग कर्मों की लाक्षणिकता)

- ⇒ 1) He/she works in a digital technology enabled two sided market. In the company's records/contracts- such workers are usually shown as "independent service providers/contractor" and not as "employees". So they are usually deprived of the EPFO/ESIC/And other social security benefits (Ref: #1D3) Although Code on Social Security 2020 aims to fix this problem. (कंपनी के अनुबंध के हिसाब से यह कर्मों कंपनी का कर्मचारी नहीं किंतु एक स्वतंत्र सेवा देने वाला ठेकेदार है. इसलिए वो प्राय विभिन्न प्रकार की सामाजिक सुरक्षा योजनाओं से वंचित रह जाता है.)
- ⇒ 2) work-contract is usually shorter, temporary, Not permanent. (इस लघु अवधि का अस्थायी अनुबंध)
- ⇒ 3) Their payment may include
 - a) piece rate (e.g. How many deliveries made)
 - b) partly reward above a fixed salary (e.g. How many 5 star ratings received on delivery)
 - c) partly profit (e.g. Taxi owner, Amazon seller) आंशिक मुनाफ़ा

47.12.8 Worker types → formal → temporary → flexi workers

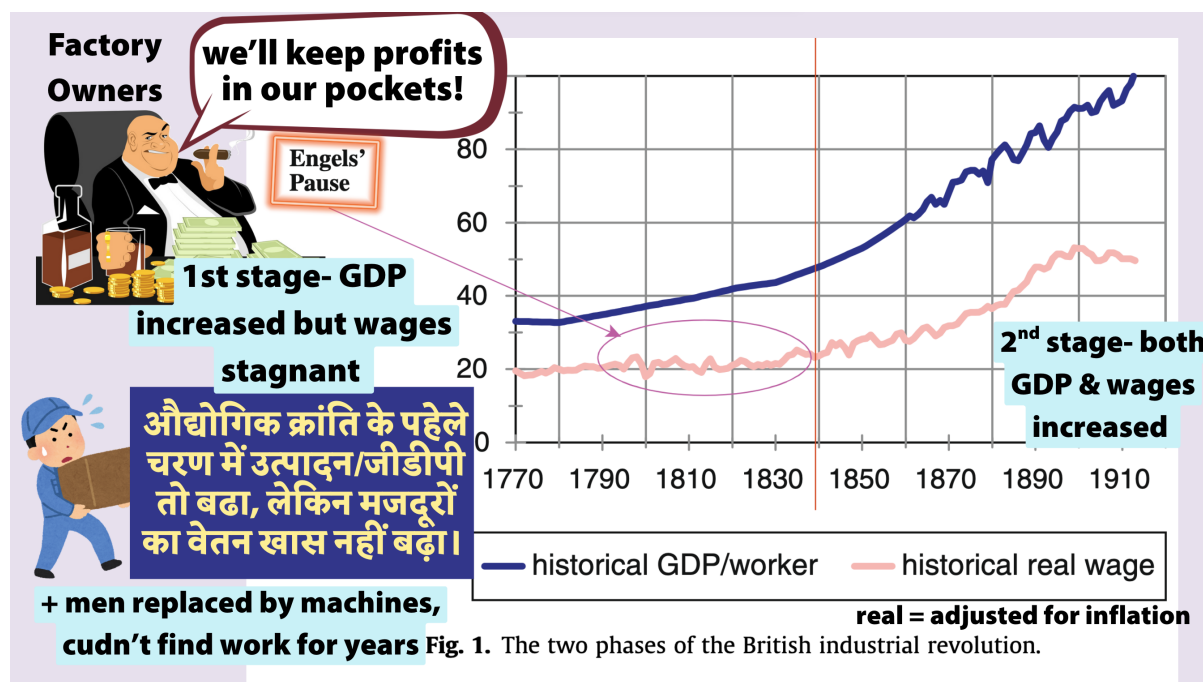
- When companies don't hire full time employees on their pay-roll, but arrange temporary workers from staffing companies (e.g. teamlease company supplying temporary cleaners and Data entry operators to Infosys.).
- These staffing companies are responsible for the timely payout of salaries/wages, social security/medical insurance towards their contract staff.
- 1% of Indian workforce is flexi-workers. It is 2.2% for Europe. The low percentage of flexi jobs in India suggests the corporate sector hasn't replaced full-time workers with flexi workers.



- major majority of Indian flexi workers are in the 21–30 age, 20–22,000 salary doing work at the lower end of the skill spectrum such as data operations, accounts, sales, etc.

MCQ. Which defines flexi workers in India? (CDS-2025-1) (a) Formal contract staff employed through organised contract (b) Informal sector employees working in urban areas (c) Agricultural labour migrating to urban areas (d) Regular salaried workers working in registered companies

47.12.9 🤖 AI & Jobloss: Engle's Pause in British industrial revolution - ES25:



- Workers may not immediately benefit from technological advancements.
- See the chart for the industrial revolution in Britain. ILO: 75 million jobs at risk from AI.
- ES25: government needs to focus on: (1) re-skilling of workers (2) setup Stewarding Institutions to improve Ethics and social accessibility of AI research. (3) if Government increases the taxes on the profit from AI companies to use for worker welfare scheme. Then it will harm everyone. (because company will do reduce R&D/ relocate to other countries with lower taxes = more jobloss in India.)

47.12.10 🤖 Job Elasticities vs AI-se-jobloss

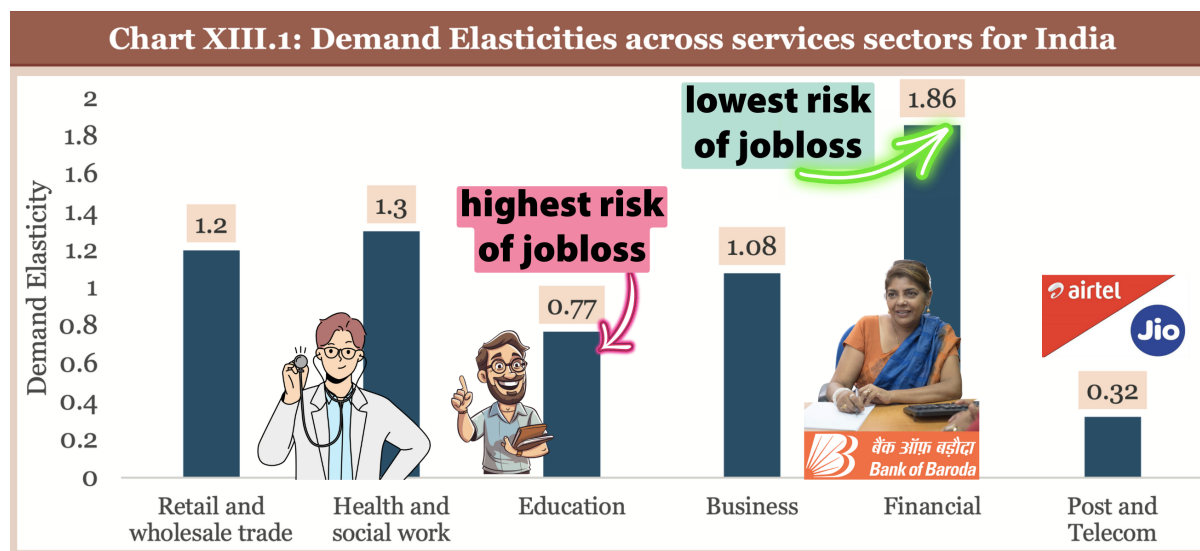
type	AI-se-Jobloss ka HIGH risk bcoz
Teachers	Lazy teachers may loose jobs due to AI-based tutors. However, Government can protect them through regulations (UGC/NEP education policy) ke min "X" number of teacher must be recruited for "Y" no. of students.
Telecom workers	Mobile telecom is becoming Oligopolistic market = dominated by a small number of companies (Jio,Airtel,Vodafone). So if AI reduces workload → company owners will collude to layoff/remove workers and yet not owners will reduce the prices for the customers" fears the Economic Survey.

following sectors more immune to AI-se-Jobloss



worker type	AI-se-Jobloss ka LOW risk bcoz
financial	Credit Card Company still required salesmen in malls; Bank-NBFCs need auditors & chartered accountants, Mutual fund analysts to supervise Algo-trade, etc.
Medical	Nurses, doctors still required.
Retail / wholesale	Salesman, laborers, transporters still required,

📖 Homework for Mains/Int/Ethics: 📖 ES25 ch13 on AI se jobless- read it fully.



In the graph, lower number = given sector is LESS 'elastic' → faces more risk of job-loss..

47.13 📖🧑🔧 ORGANISED SECTOR JOBS RELATED SURVEYS/NUMBERS

47.13.1 🧑🔧📈 Occupational Shortage Index by labour Ministry (OSI, 2025-Jan)

- By Ministry of Labour & Employment - OSI provides data-driven insights into occupations facing labour shortages. (ऐसे व्यवसाय/काम जहाँ मज़दूरों की कमी है।)
- It is based on ILO methodology and quarterly PLFS data

47.13.2 📖🧑🔧 Organised sector Jobs → QES

- ⇒ Quarterly employment Survey (QES) conducted by Labour Ministry → Labour Bureau.
- ⇒ covers establishments with ten or more workers
- ⇒ in **nine** major sectors viz. manufacturing, construction, trade, transport, education, health, accommodation & restaurants, IT/BPOs, and financial services.

📖 ES23: largest employers in 9 sectors are 1) Mfg 2) Education 3) IT/BPO 4) Healthcare 5) Hotel

47.13.3 📖🧑🔧 Organised sector Jobs → Annual Survey of Industries (ASI)

- ⇒ ASI survey done by the NATIONAL STATISTICAL OFFICE (NSO) under Ministry of Statistics & Programme Implementation (MOSPI)
- ⇒ It covers all registered units under factories act, and electricity companies. 📖 ES23 gave following data from LATEST ASI:

Data	Largest Employer
------	------------------



State-wise	Tamil Nadu (26.6 lakh), Gujarat (20.7 lakh), Maharashtra (20.4 lakh), Uttar Pradesh (11.3 lakh), Karnataka (10.8 lakh).
Sector-wise	food products (11.1%), apparel (7.6%), basic metals (7.3%), vehicle (6.5%).

🚩 **FAQ: but isn't textile sector the (second) largest employer after agriculture, as per some books?**

Ans. Yes, but ASI Survey only covers factories. Many of the textile units do not fall under the definition of factory (Refer to definition of factory in Pillar4B).

47.13.4 📊🧠🔧 **Organised sector Jobs → EPFO Registered Workers**

Year	2019–20	2020–21	2021–22
EPFO workers in (lakhs)	78.6	77.1	122.3

47.13.5 **Highest number of EPFO workers are from following sectors:**

- ⇒ 1) Expert services (consisting of manpower agencies, private security agencies, and small contractors, etc.) = total 51 lakhs in 2021–22.
- ⇒ 2) Trading - Commercial Establishments 3) Engineering

47.13.6 **India Employment Report 2024**

was released by the International Labour Organisation (ILO) and the Institute of Human Development (IHD, a not-for-profit org.) Its data sets are less relevant for Prelims.

47.14 📝🔑 **Mock Questions for Mains → NITI PC Unemployment**

Questions centred around: how to create more jobs, problems in gig-economy, NITI vs Planning commission etc. We'll see it in the Mains Course (QEP)

📄 **Next: Pillar#4D: GDP, GNP, V-Shaped Recovery, \$5 Trillion Economy**



👤👤 PILLAR#4D: MACROECONOMIC INDICATORS- GDP,GNP,ATMA-NIRBHAR

👤 Vampire Babushone FAQ: regarding GDP, handout page “A” says Data X% whereas on page “B” says “Y%”, so which one is true?? Ans. The sections are written from ES, news articles from various years. However, the government often revises past data. It’s a hassle to manually cross-reference and correct everything from the statistical appendix. Instead, focus on the overall trend.

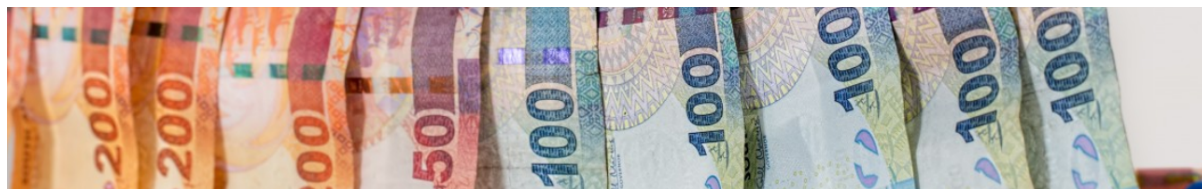


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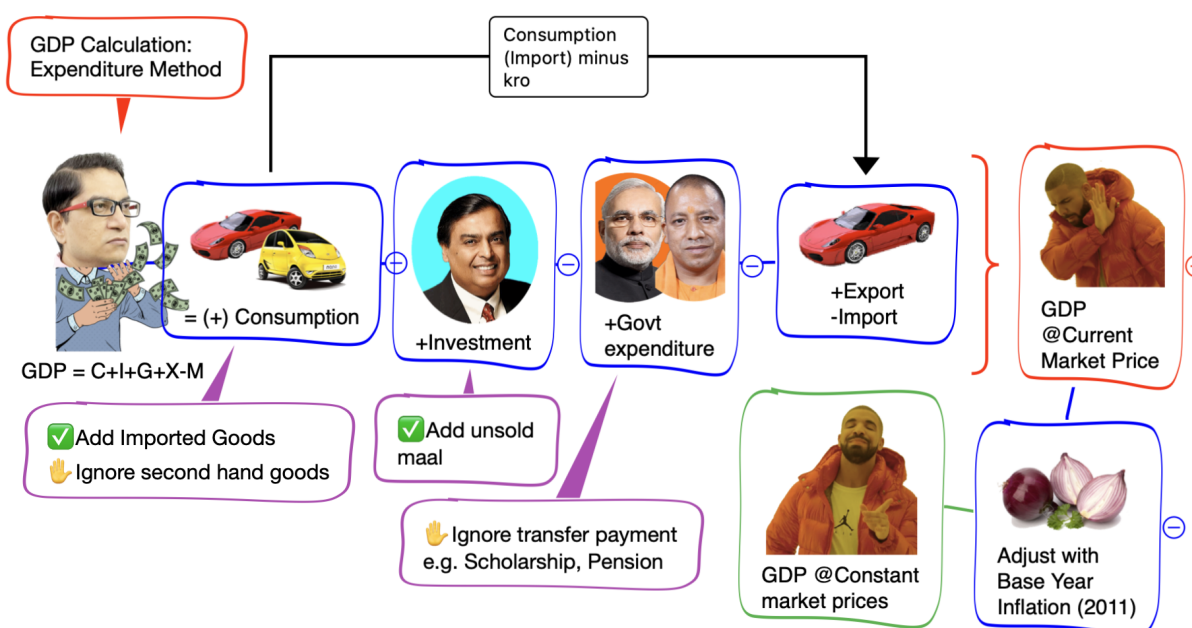
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48 🌽🕒🎧 PILLAR#4: INDICATORS → GDP

- ⇒ **Gross Domestic Product**= is the market value of all the goods and services produced within the domestic territory of a country during a specified time period, usually one year. (किसी देश के घरेलू क्षेत्र में उत्पादित सभी वस्तुओं और सेवाओं का बाजार मूल्य को सकल घरेलू उत्पाद कहा जाता है)
- ⇒ Here, **domestic territory** = political frontiers of the country including its territorial waters, ships, aircrafts, fishing vessels operated by the normal residents of the country; AND its embassies, consulates located abroad. (as per NIOS textbook)
- ⇒ **GDP potential**= is the Highest or maximum output that a country can produce using the available labour and capital (at a constant inflation rate). संभाव्य जीडीपी = आपके देश में उपलब्ध सभी मजदूर और पूंजी से जो महत्तम उत्पादन हो सकता है.
- ⇒ **GDP gap** = difference between potential GDP and real GDP. जीडीपी अंतर / खाई = वास्तविक और संभाव्य जीडीपी के बीच का अंतर.

48.1 🛒 GDP CALCULATION METHOD#1 → VIA EXPENDITURE (व्यय द्वारा)

If anything is produced in India then someone must have paid money for that. So, accordingly we can derive **GDP = C + I + G + X - M**





48.1.1 🛒 (C) Consumption of final goods and services उपभोग हेतु अंतिम उत्पाद

- Purchasing new car, mobiles, computer etc. Both India made & (Imported) foreign made are counted.
- If existing house is self-occupied, its 'notional rent' is counted (i.e. even if owner did not rent the property.)
- 🙅 IGNORE purchase of second hand goods, because we are only measuring 'new' things "MADE in India" in present year.
- 🙅 IGNORE construction of new house. It is not counted here, it's counted in (I: Investment)

48.1.2 🏠 (I) Investments निवेश

- Tangible capital assets (मूर्त पूंजीगत संपत्ति) like New House, Land, Building, Factory, Truck, Machinery.
- Intangible capital assets (अमूर्त) like IPR / Patents, Computer Software etc.
- Raw material & intermediate goods, wages to workers for production.
- UNSOLD inventory. (जो माल अभी बिकना बाकी है)
- 🙅 IGNORE savings in bank, shares and bonds etc. (because it'd have been given to entrepreneur as 'Capital' to buy above things).

48.1.3 🏛️ (G) Government Purchases सरकार द्वारा की जाने वाली खरीद

- Salaries to employees, Procurement of computer, stationery, fans, tube lights, vehicles etc.
- 🙅 IGNORE Government's scholarship, subsidy etc. 'Transfer Payments'. They're counted in "C" (Private) consumption by the respective beneficiaries.

components	Description and Examples
👤 (X-M) Export MINUS Imports निर्यात - आयात	⇒ Export is added because it means a foreigner must have bought goods/services "MADE in India" so it's part of India's GDP. ⇒ Whereas, Import is subtracted because some Indians must have Consumed (C) foreign products that were not "MADE in India", So if you do not subtract the 'Import(M)', it will give wrong estimation of India's GDP.
Total = GDP	⇒ Thus, we get GDP at Current Market Price (वर्तमान मूल्य पर). ⇒ When we adjust it with inflation against base year 2011 → GDP at Constant Market Price (स्थिर मूल्य पर).

48.2 🛒 GDP CALCULATION METHOD → VIA EXPENDITURE (NSO REAL LIFE)

Textbook formula	NSO's Real life formula (Approx numbers)	2022-23
(C) Consumption of final goods and services	(+) Private Final Consumption Expenditure (PFCE)	164 lcr
(I) Investments	(+) Gross Fixed Capital Formation (GFCF)+ Change in Stocks (CIS)	79 lcr
(G) Govt Purchases	(+) Government Final Consumption Expenditure (GFCE)	28 lcr
(X-M) Export MINUS Imports	(+) Net Export of Goods & Services.	(-) 12 lcr
	(+) Discrepancies (विसंगतियाँ)	6 Lcr

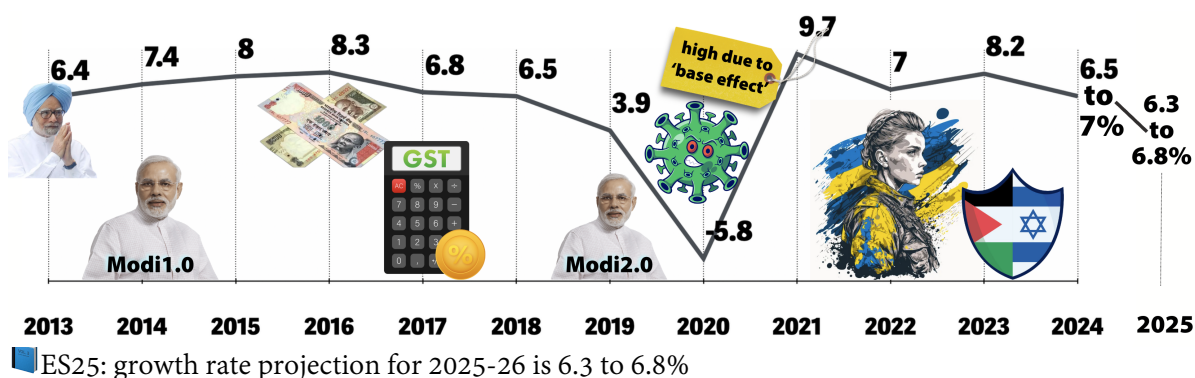


Textbook formula	NSO's Real life formula (Approx numbers)	2022-23
Total =	Total = GDP @Current Market Price (वर्तमान बाज़ार मूल्य पर)	>270 lcr
GDP @Constant Market Price (2011) approx.		159 Lcr

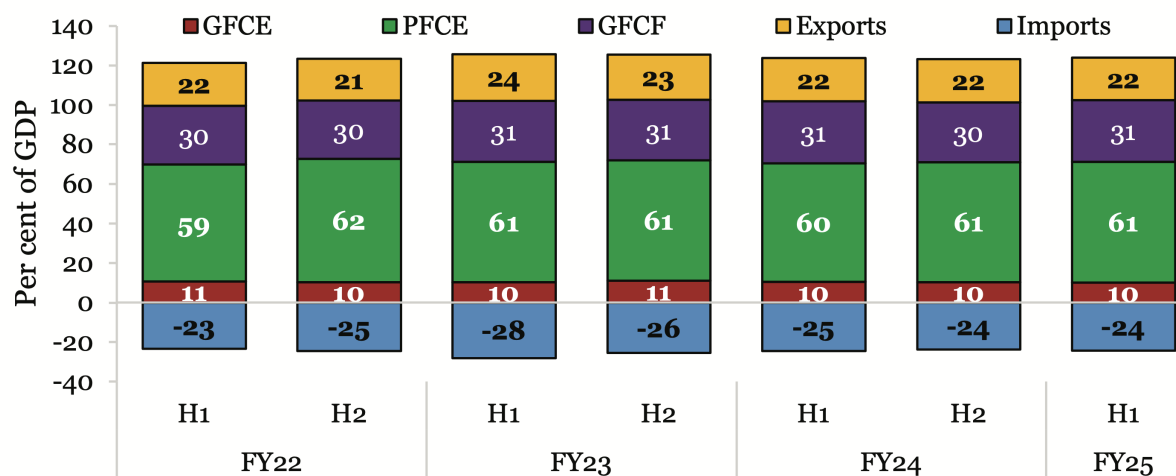
Now let's find growth rate for 2020-21 →

Year	GDP at Constant Market Price (स्थिर मूल्य पर)
2021-22	₹149 lakh cr
2022-23	₹159 lakh cr
GDP Growth rate in 2020 against 2019	$\left(\frac{159 - 149}{149}\right) * 100 = (7\%)$ (approx)

48.2.1 GDP growth Rate (2011 base year, Real / Constant Market Price)



48.2.2 Data- Breakup of the CIGXM components as per ES25:

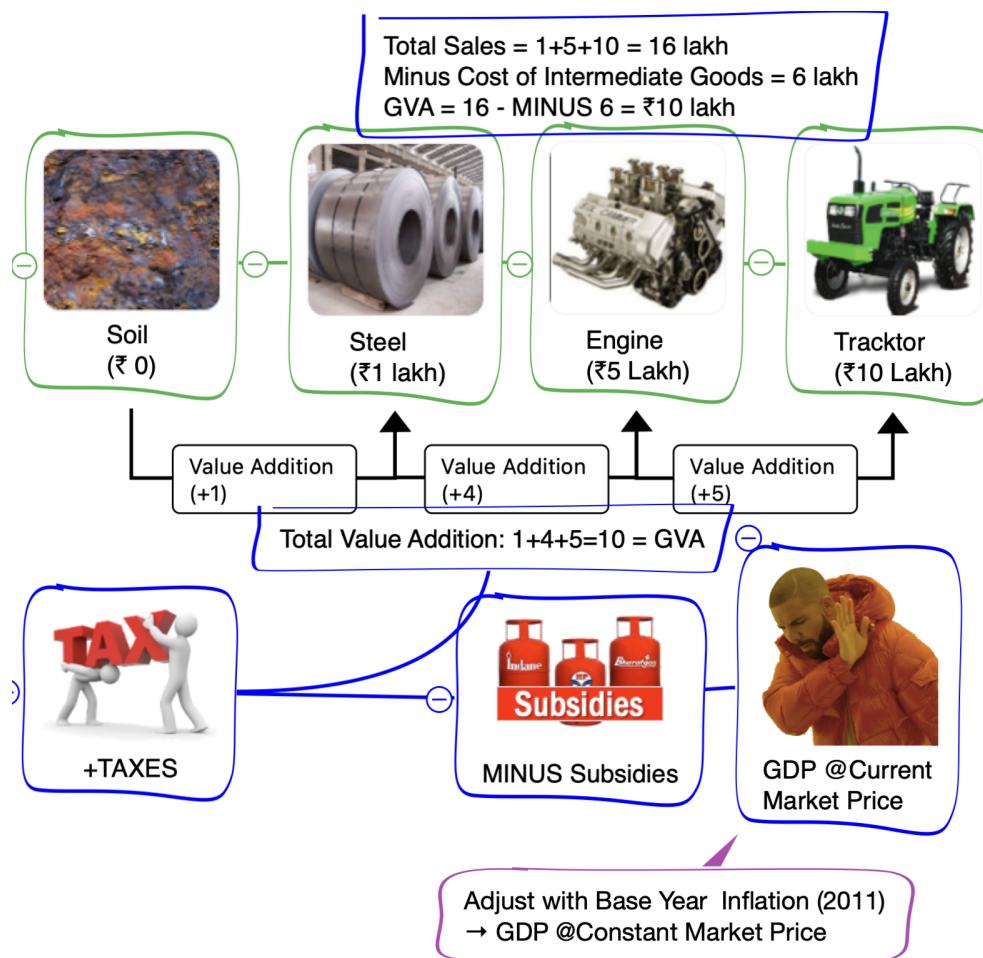


48.3 GDP CALC METHOD → VIA PRODUCTION/GVA (उत्पादन द्वारा)

Production method is also known as Gross Value Added method (GVA: सकल वर्धित मूल्य)

⇒ Here, GVA = Value of final MINUS intermediate = (16-6) = 10 lakh. Alternatively, GVA = Value added at each stage = 1 + 4 + 5 = 10 lakh.

⇒ The amount thus derived is called GVA (at basic price: मूल कीमत पर).



48.3.1 GVA of various Sectors

Year	Sector-wise share in GVA at current prices (in %)			
	Primary	Secondary	Tertiary	
2011-12	21.7	29.3	49.0	1. Primary Sector = Agriculture, Forestry, Fishing And Mining & Quarrying
2012-13	21.3	28.7	50.0	
2013-14	21.4	27.9	50.6	
2014-15	20.9	27.3	51.8	2. Secondary Sector = Manufacturing, Construction, Electricity, Gas, Water Supply & Other Utility Services.
2015-16	20.1	27.6	52.3	
2016-17	20.4	27.0	52.6	
2017-18	20.4	27.0	52.5	3. Tertiary Sector = Services of All Types
2018-19	19.8	26.9	53.3	
2019-20*	20.3	25.0	54.8	
2020-21#	22.1	25.5	52.4	Collectively, highest to lowest contribution: Tertiary (more than 50%) > Secondary (around 25%) > Primary (around 20%)
2021-22@	21.0	26.5	52.5	

48.3.2 From GVA to GDP

GVA at Basic price: (Suppose a country only produce LPG cylinders)	₹ 600
🍌 Indirect Taxes: CGST + SGST (Earlier, Excise + VAT)	(+) ₹ 100
🧐 But Petro ministry is also giving subsidy on the purchase of LPG cylinders under	(-) ₹ 200



PAHAL scheme	
= GVA (+) Indirect Taxes (-) Subsidies	₹ 500
= GVA + "NET Taxes"	
= GDP at Current Market Price 📅🍊👤 (वर्तमान बाजार कीमत)	

When we adjust 📅 Current Prices (वर्तमान) with inflation against base year 2011, we get GVA / GDP
 📅 Constant Prices (स्थिर मूल्य).

48.3.3 GVA & GDP: Growth Rates @Current vs Constant Price

Statement 1A: Second Advance Estimates of National Income and Expenditure Components of GDP, 2022-23
 (at 2011-12 Prices)

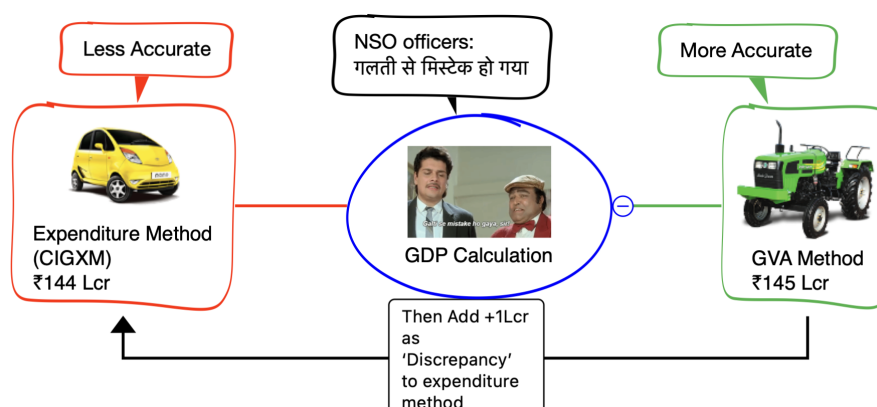
(₹ crore)						
S.No.	Item	2020-21 (2nd RE)	2021-22 (1st RE)	2022-23 (SAE)	Percentage Change Over Previous Year	
					2021-22	2022-23
	Domestic Product					
1	GVA at Basic Prices	1,26,81,482	1,37,98,025	1,47,12,593	8.8	6.6
2	Net Taxes on Products	10,05,636	11,27,815	12,58,496	12.1	11.6
3	Gross Domestic Product (GDP)	1,36,87,118	1,49,25,840	1,59,71,090	9.1	7.0

Figure 1 📸 Screenshot for observation. No need to memorize

In above table, Net Taxes = Indirect Taxes minus subsidies given on the product.

- ⇒ While GVA gives a picture of economy from the producers' side or supply side, GDP gives picture from consumers' / demand side perspective. (GDP हमें उपभोक्ताओं का नज़रिया दिखाता है)
- ⇒ Because GDP considers impact of Indirect taxes and subsidies. (क्योंकि उसमें कराधान और सब्सिडी की असर को जोड़ा जाता है)
- ⇒ Therefore, from 2018, RBI decided to use GDP instead of GVA to measure the economic analysis. (इसलिए रिज़र्व बैंक आर्थिक विश्लेषण में GVA के मुकाबले GDP के आँकड़ों पर ज़्यादा ज़ोर देती है)

48.3.4 📊👤 GDP Misc Topics → Discrepancy (विसंगति)?



What does above chart mean? Ans. Explained in the video.

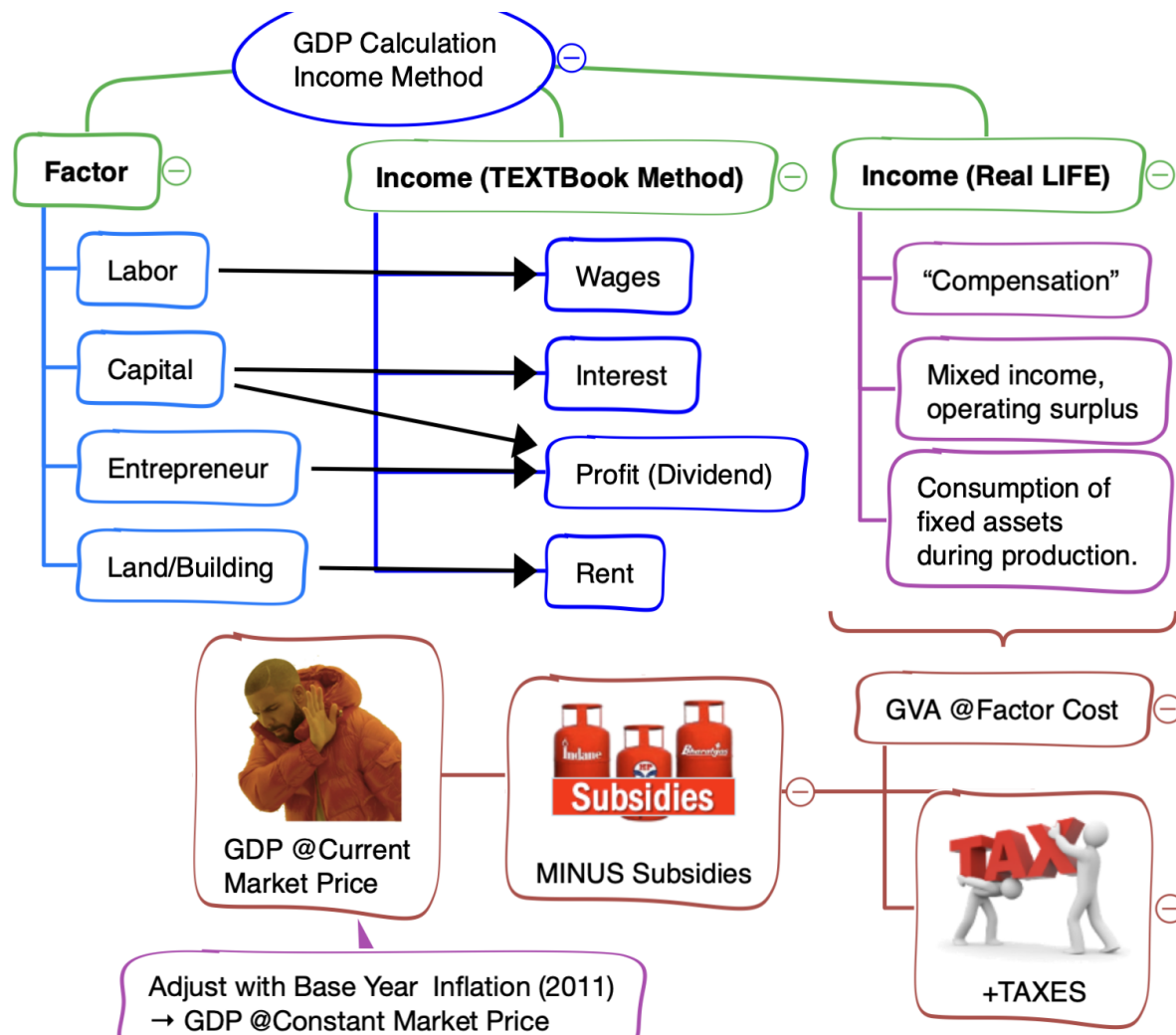
48.4 💰📊 GDP CALCULATION METHOD → VIA INCOME (WIPR)

This method follows the simple idea that whatever is "MADE in India", its revenues must have been distributed among the factors of production. So,

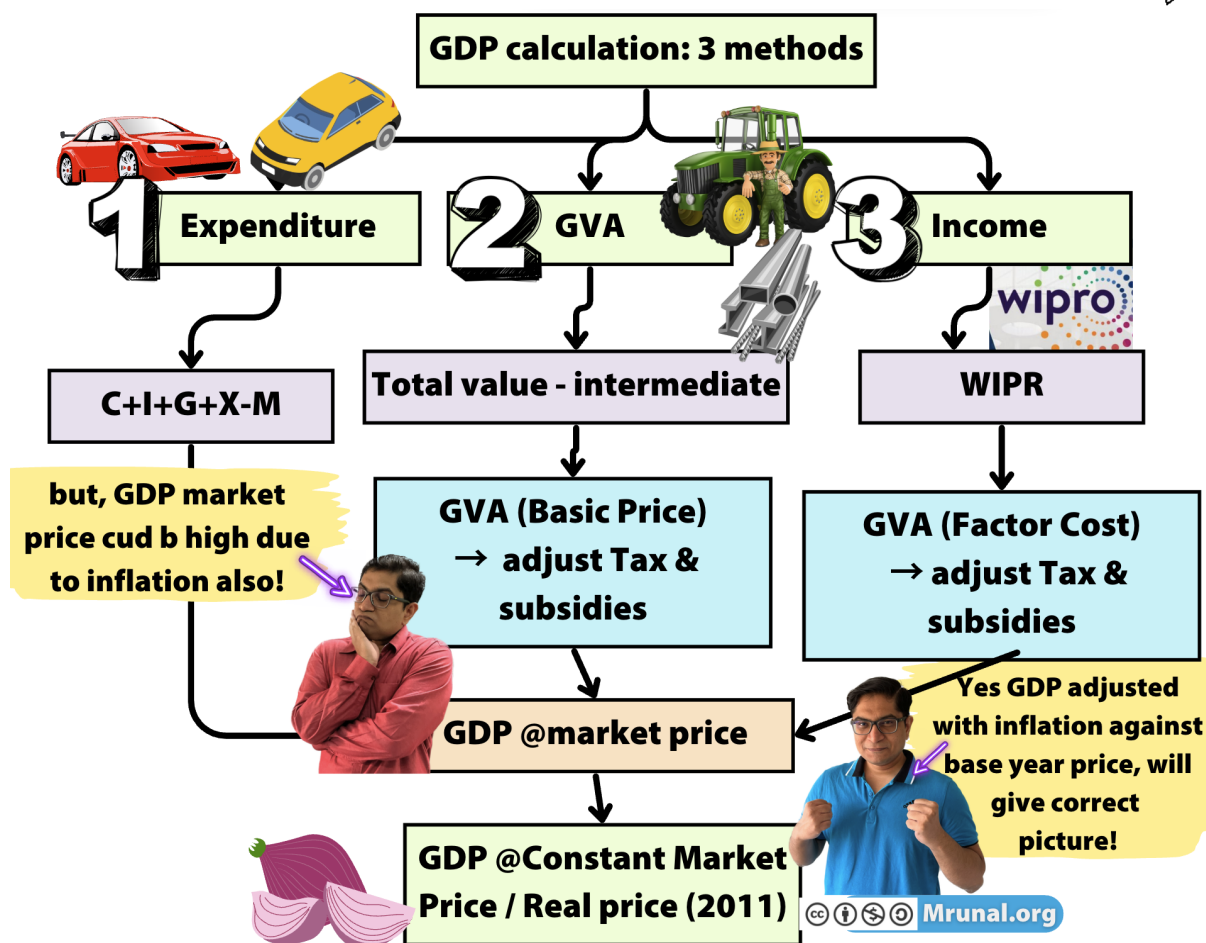


- $GDP = \text{Wages to labourers (W)} + \text{Interest on Capital to Lenders (I)} + \text{Profits to Entrepreneur / Owners of the firm (P)} + \text{Rent on land (R)}$.
- The GDP thus arrived is called GDP at Current Factor Cost (वर्तमान कारक लागत पर).

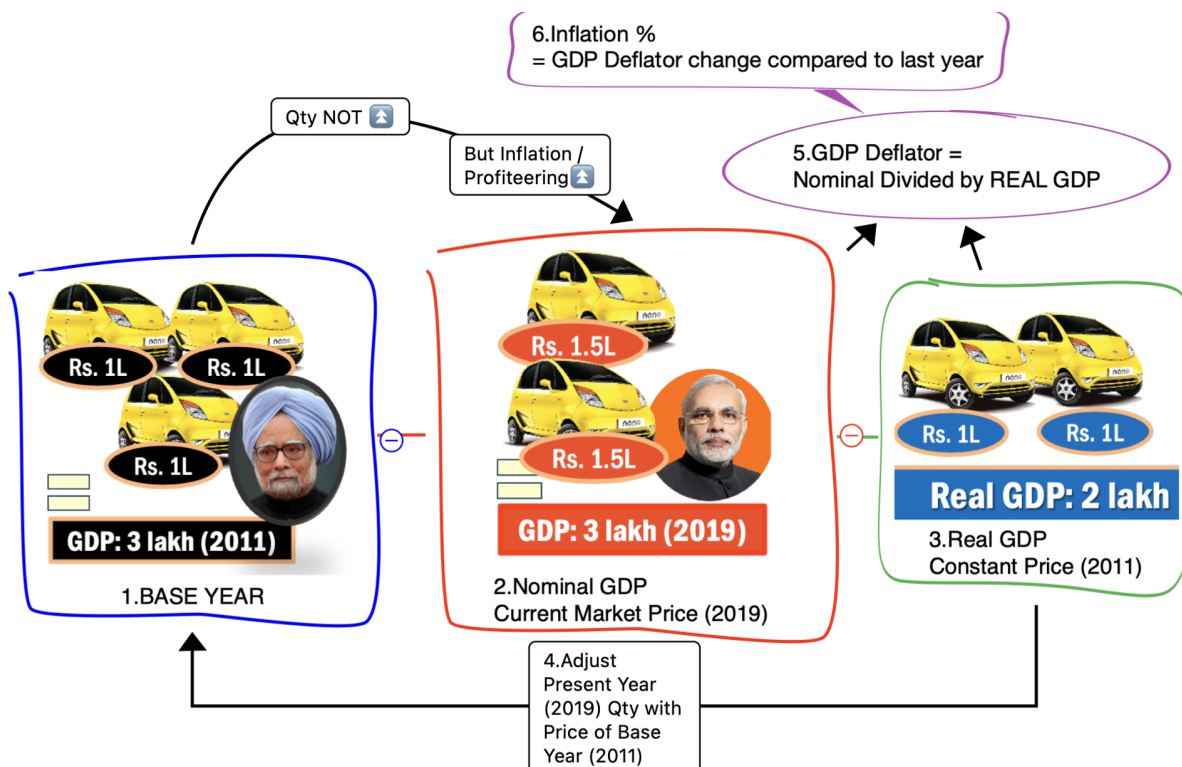
48.5 📊💰 GDP CALCULATION METHOD → VIA INCOME (CSO REAL LIFE)



Theoretical	NSO' real life income formula
1. (+) Wages 2. (+) Interest 3. (+) Profit 4. (+) Rent	1. (+) Compensation (i.e. Employees salary + Employer's contribution to his Social Security Account e.g. EPFO / ESIC). 2. (+) Operating Surplus and Mixed Income. (Because in a family run farm / enterprise it is difficult to separate income and profit, unlike a Company's balancesheet) 3. (+) Consumption of fixed assets during production
Total sum=	Here total is called "GVA @Factor Cost"



48.6 GDP → GROWTH RATE & DEFLATOR (वृद्धि दर, अपस्फीतिकारक)



- Growth Rate (%) = $\{ \text{GDP (Present year)} - \text{Last Year} \} / \text{Last Year} \times 100$



- But, quantitatively production may not have ↑ (From 1 kg onions to 2 kg onions), and only because of inflation in the prices (₹ 10/kg onion to ₹ 100/kg) the growth rate may be appear high.
- Therefore (to remove the inflation impact on growth rate), we must select a base year, and convert the current prices to constant prices. (उत्पादन मूल्य में महंगाई के असर को हटाने के लिए किसी एक आधार वर्ष के दामों के साथ जोड़कर देखना चाहिए)

$$\text{GDP Deflator} = \frac{\text{Nominal GDP at Current Prices (2019)}}{\text{Real GDP at Constant Prices (Base Year 2011)}} \times 100$$

Table 1: As per data from ES22

NSO in 2019-Feb → ₹ lakh crores (Approx)	2017-18	2018-19
A) Nominal GDP @Current Prices in crores [Production GVA Method]	171 lakh cr	190 lakh cr
Nominal Growth Rate @Current Prices (against Previous Year)	11.3% growth than 2016!	11.0 % growth than 2017!
B) Real GDP @Constant Prices (BaseYear2011)	132	140
Real Growth Rate @Constant Prices (against Previous Year)	6.8% growth than 2016	6.5% growth than 2017
GDP Deflator = {A÷B} x 100	129	135
GDP Deflator based year-on-year inflation	$\left(\frac{135-129}{129}\right) \times 100 = 4.65\%$	

GDP Deflator is also known as **Implicit Price Deflator**

48.6.1 GDP Deflator vs [CPI & WPI]

GDP Deflator	CPI, WPI (More in 4C: Inflation section)
GDP deflator is the most comprehensive indicator to measure inflation, because it covers all goods and services' prices. So, it helps tracking changes in consumption pattern and investment pattern. [क्योंकि जीडीपी डिफ्लेटर में सभी की सभी वस्तुओं और सेवाओं के दामों के मूल्य में बढ़ोतरी का पता चलता है इसलिए जीडीपी डिफ्लेटर के विश्लेषण से हम उपभोग और निवेश और निवेश में आ रहे बदलाव को समझ सकते हैं]	- CPI: Only few/selected goods/services prices monitored. - WPI: Only few/selected goods prices monitored. Services price not covered. [महंगाई के इन सूचकांकों में सभी की सभी वस्तुओं और सेवाओं के दामों को नहीं नापा जाता। केवल कुछ चुनिंदा वस्तुओं और सेवाओं के दामों पर निगरानी रखी जाती है]
if new items created in economy, they're automatically added/counted in it. (e.g. Tesla car or Virtual-reality/VR headsets).	Not counted. CPI/WPI basket (Sample list of goods) remains unchanged for many years.
DATA released quarterly basis (3-3- months)	DATA released monthly basis
but RBI doesn't use it for monetary policy making because GDP deflator data comes quarterly (and not monthly basis). [भारतीय रिज़र्व बैंक अपनी मौद्रिक नीति बनाते वक्त इस आंकड़े का लक्ष्य नहीं रखता क्योंकि ये तीन तीन महीने पर प्रकाशित होता है]	RBI uses CPI (All India) to target inflation in its monetary policy making (More in Pillar#1A2)

MCQ. The 8% growth rate in Indian during 2015-16 is based on [UPSC-CDS-2017-I]



- (a) Gross National Product at market prices. (b) Gross Value Added at constant prices.
(c) Gross Domestic Product at market prices (d) Gross Domestic Product at constant prices.

MCQ. Which of the following statements is/are correct? (CDS-2024-1)

- GDP deflator captures the average price of an unchanging basket of commodities that constitutes the GDP of the country.
- GDP deflator can be used to measure the real GDP of the economy but not the inflation rate.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

48.6.2 GDP Misc Topics → 2015 calculation reform

To comply with the United Nations System of National Accounts (SNA-2008) (संयुक्त राष्ट्र के राष्ट्रीय-हिसाब मानकों के मुताबिक से भारत में GDP की गिनती करने के लिए निम्न सुधार किए गए 2015 में)

- Base Year Changed from 2004 to 2011. (आधार वर्ष में बदलाव किया)
- Updated the system of data collection and classification and value calculation for: (निम्न क्षेत्रों के डेटा एकत्रित-करण और मूल्य वर्धन की गिनती की प्रणाली में अद्यतन सुधार किए गए)
 - Crop data and livestock data, handicraft industries (अनाज पशुपालन हस्त-कला उद्योग)
 - Meat value calculation (मांस का उत्पादन)
 - services produced by local bodies e.g. municipal bus, municipal school-water-sanitation (नगर निगम और स्थानीय इकाइयों द्वारा जो सेवाएँ उत्पादन की जा रही हैं)
 - goods/services produced by the informal sector e.g. domestic maids (अनौपचारिक क्षेत्र)
 - sand extraction, construction sector, mining sector (बालू-खनन, मकान निर्माण)

BEFORE	From 2015
Companies' goods/service production data was computed using Annual survey of industries (ASI) and index of industrial production (IIP).	Using companies' balancesheet details submitted to Ministry of Corporate Affairs. (कंपनियों के उत्पादन का डेटा कॉर्पोरेट मामलों के मंत्रालय से लिया जाए)
Bank/NBFC's financial services production data collection methods were not modern/comprehensive	will be captured in more comprehensive manner with the help of RBI, SEBI, IRDAI, PFRDA. (वित्तीय सेवाओं के उत्पादन का डेटा)
Private coaching, hotel-tourism etc. services' production data capturing methods were not modern/comprehensive	Will use service-tax collection data to cross-check the production/growth of such services. (सेवा-कर में सरकार को हुई आमदनी की मदद से चेक किया जाए की सेवा क्षेत्र में कितना उत्पादन हुआ)

++ many other things but this is more than sufficient to handle the random Mains Question asked in GSM3-2021 for 150 words. (देढ़-सौ शब्दों में जो Mains Qs पूछा, उसके लिए ये माल काफी है।)

48.6.3 New Base year for GDP, IIP and CPI

Mastermind- MOSPI. The base year is revised periodically to better capture the structural changes happening in the economy by updating the methodology of compilation and incorporation of new data sources.



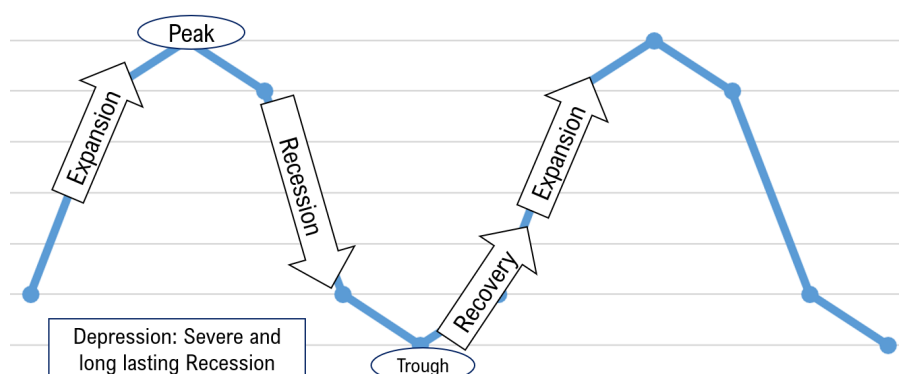
Indicator	Current Base Year	New Base Year	Release Date
GDP Series	2011–12	2022–23	Feb 2026
IIP Series (ref-4E)	2011–12	2022–23	Apr 2026
CPI (ref-4E)	2012	2024	somewhere in 2026 Apr-Jun

48.6.4 📊 GDP Base Year- 8th time changed

S.No.	1st	2nd	3	4	5	6	7	8th
Old Base	1948–49	1960–61	1970–71	1980–81	1993–94	1999–2000	2004–05	2011–12
New Base	1960–61	1970–71	1980–81	1993–94	1999–2000	2004–05	2011–12	2022–23
Done in Year	1967	1978	1988	1999	2006	2010	2015	2026

- First set of national income (GDP) for India was compiled by PC Mahalanobis in 1949.
- Later, National Statistical Commission had recommended that all economic indicators' base year should be updated at least once in every five years.
- However, GDP base year change is not done regularly every 5–5 years due to factors like war, Indira's emergency (1975–77), fall in GDP/jobs due to demonetisation-GST (2016–17), Elections, Corona (2020) etc.

48.7 📈 GDP → GROWTH RATE → ECONOMIC CYCLE



- 1) **Expansion**, Prosperity, Boom, Upswing of economy (तेजी का दौर).
- 2) **Recession** Phase (मंदी): from peak prosperity to moving downwards. Usually evident from continuous negative growth rate for two successive quarters (=6 months). E.g. USA 2007-09 in the aftermath of Subprime crisis.
- 3) **Depression** Phase (चोर मंदी): Severe and long lasting Recession e.g. USA 1929-39 in the aftermath of stock market crash. It resulted in great fall in GDP, income, employment, industrial production, and wholesale-retail sales.
- 4) **Recovery** Phase (समुत्थान): from recession / depression towards prosperity.

Technical Recession मंदी की तकनीकी व्याख्या	when GDP growth 📉 for, at least, two consecutive quarters. सतत दो तिमाही तक वृद्धि दर में गिरावट
Recessionary Phase	If GDP growth 📉 in present quarter than previous quarter



मंदी का दौर	पिछली तिमाही की अपेक्षा इस तिमाही वृद्धि दर में गिरावट
Expansionary Phase तेजी का दौर	If GDP growth ↑ in present quarter than previous quarter पिछली तिमाही की अपेक्षा इस तिमाही वृद्धि दर में बढ़ोतरी

48.7.1 🤔😓👉 Post-Corona: V-shaped recovery for India?

V-Shaped	IF GDP growth suffers a sharp ↓ → then quickly recovers. So graph will appear "V-shaped". E.g. 1918-1920: Spanish Flu: USA growth falls to (3.5%) → afterwards quickly recovers to (7.5%) = V-shaped recovery.
U-shaped	If GDP growth takes more time to recover, then rises.
W-shaped	If GDP growth ↑ then ↓ then again ↑ .
K-shaped Recovery	If GDP growth ↑ for some sectors e.g. E-Learning, E-Commerce sectors while GDP growth ↓ in some sectors e.g. Tourism, Restaurants, Gyms, Theatre कुछ क्षेत्रों में तेजी कुछ क्षेत्रों में मंदी जारी रहे.

- 📊📅 ES21 (Published in 2021 January) projected V-shaped recovery, assuming 1) mass vaccination of people → ↑ business of contact-sensitive sectors like trade, hotels, transport, tourism, 2) unlocking of pent-up demand 3) Low Base Effect. (अधिकतर आबादी का टीकाकरण होने के पश्चात संपर्क आधारित सेवा क्षेत्र जैसे व्यापार इस रेस्टोरेट परिवहन पर्यटन इत्यादि में बढ़ोतरी, दबी हुई माँग का पुनर्जीवन, संदर्भ वर्ष में छोटी रकम की असर- के परिणाम स्वरूप, 'वी' आकार के प्रक्षेपवक्र से भारतीय अर्थतंत्र पुनर्जीवित होगा)

48.7.2 📈📉👉 Low base effect in GDP growth

⇒ It means the choice of the reference/comparison year affects the % growth.

$\frac{\text{Numerator}}{\text{Denominator}}$	$\left(\frac{149-145}{145}\right) * 100$	$\left(\frac{149-134}{134}\right) * 100$
Result	=2%	=11%

- ⇒ In maths/fractions, whenever denominator gets smaller, the % answer will get bigger.
- ⇒ Thus, if reference/comparison year had a small figure then → % growth will look big.
- ⇒ Usually India's real GDP growth is in single digit in 6-7% range. However in 2021: GDP growth rate is in 9% range. This big figure is possible due to the low-base effect of Corona 2020 (सामान्य रूप से भारत का वास्तविक GDP वृद्धि दर 6-7% मुश्किल से होता है, किंतु 2021 में ये बड़ा दिखता है क्योंकि "संदर्भ वर्ष में छोटी रकम की असर" से चलते % प्रतिशत जवाब बड़ा हो जाता है)

48.7.3 Misc. Terms: 🤖🐻📉 Solow Paradox : AI bubble → sharemarket crash?

- 1987: Solow Paradox = Nobel winner economist Robert Solow noted computers were everywhere but computers were not boosting productivity.
- Ultimately, proved correct with USA dot-com crash (2000), share prices of IT/tech companies collapsed, resulting in loss of \$5 trillion of investors. Critics argue same will happen with AI-bubble in future.



48.7.4 Misc. Terms: 🏭 Keynesian model (1936)

- When USA suffered the Great Depression of the 1930s, Adam Smith's free-market supply-demand theories were unable to fix it.

- So, British economist John Maynard Keynes gave new concepts that An economy's output = the sum of four components: consumption, investment, government purchases, and net exports (CIGXM). So, if GDP down then Government should influence it by increasing the expenditure. (Ref#2D counter cycling fiscal policy.)

Note: there are many other aspects as well, but we are not here for economics optional.

48.7.5 🐾 Misc. Terms: Animal spirit in the economy

⇒ British economist John Maynard Keynes (book General Theory of Employment, Interest, & Money) argued that investors and consumers are guided by animal spirit / psychological urge than unbiased & rational analysis of facts. (निवेशक और उपभोक्ता अपने निर्णय तथ्यों का निष्पक्ष और तर्कसंगत विश्लेषण करने की जगह, पशुभावना या मनोवैज्ञानिक इच्छा, के आधार पर लेते हैं)

⇒ When their **animal spirit** is more active, they will do more investment and spending.

⇒ 2019: RBI report observed that despite govt efforts, domestic Demand not ↑ therefore Animal spirit not reviving, hence slowdown in economy.

48.7.6 🛒 Misc. Terms: Pent up demand (दबी हुई मांग)

⇒ During recession / slowdown, People postpone their shopping plans. Once economy recovers or if there is a festival season → sudden ↑ in the shopping, called "Pent up Demand". (मन में दबी हुई मांग जो उछलकर बाहर आए- इसलिए दिवाली-से-क्रिसमस में लोगों ने कोरोना में भी जमकर खरीदी की होगी)

⇒ 2020-Oct/Nov: Due to Diwali season, sudden ↑ in online & offline shopping due to various discounts / sale-offers so, GST collection ↑ . But critics argue it was just a festival based 'pent-up' demand and it may not sustain for a long time, once the Diwali to Christmas season is over. (लेकिन क्या उत्सव खत्म होने के बाद भी ऐसी भारी शॉपिंग/माँग जारी रहेगी?)

48.7.7 🛍️🔪 Lipstick effect / little luxuries (मंदी में सस्ती चीज खरीद के दिल बहला लेते हैं)

⇒ during the economic slowdown, people do not have money to buy expensive things

⇒ but still they want the thrill / psychological urge of shopping - so they'll do more shopping of little luxuries such as lipstick. (मंदी में महंगी चीज नहीं खरीद सकते। कोई सस्ती चीज खरीद के दिल बहला लेते हैं.)

48.7.8 🧐 Misc. Terms: Hysteresis

Hysteresis= refers to an event in the economy that persists even after the factors that led to that event have been removed. e.g. Even after the corona is controlled, People continue to spend less, fearing another lockdown/job-loss. (जिसके कारक अब समाप्त हो चुके हैं फिर भी वह घटना जारी रहे. जैसे कोरोना वायरस नियंत्रण में आने के बावजूद भी, इस डर से कि वापस महामारी आएगी, लोग खरीदारी कम करेंगे, और बचत ज़्यादा करेंगे)

48.7.9 🌀 Misc. Terms: Doom Loop (क्यामत की कुण्डी/फंदा)

⇒ Doom loop occurs when one negative economic condition creates a second negative condition, which in turn creates repeats/magnifies the effect of the first negative condition. (एक समस्या दूसरी समस्या को जन्म देती है जिसके चलते पहली समस्या और गहरी हो जाती है)



⇒ e.g. 1) Pak Govt not having enough money to run the country → Pak government can't run schemes like India's MUDRA/PLI etc. → Pak manufacturing will not improve → Pak government will not earn enough direct/indirect taxes → 1) Pak Govt not having enough money to run the country.

48.7.10 🧠 Misc. Terms: Financial contagion (वित्तीय संक्रमण)

⇒ Spread of financial market disruptions from one country/region/sector to another country/region/sector.

⇒ e.g. Collapse of Silicon Valley Bank (SVB) in USA → Indian startup founders' money got stuck → Problems in Indian IT Sector → problems in Indian Banks' loan recovery & problems in Indian sharemarket performance.

48.7.11 📈 Misc. Terms: Goldilocks scenario

- in an economy refers to an ideal situation where there is a steady growth - not too high, not too low (बहुत कम भी नहीं और बोहोत ज़्यादा भी नहीं)
- The economic growth is neither too high to trigger inflation due to heavy consumer demand vs low supply (जब आर्थिक वृद्धि इतना तेज़ भी ना हो की बढ़ती माँग के सामने आपूर्ति कम हो जाए और बढ़ी महँगाई की समस्या हो) AND
- The economic growth is neither too low for a slowdown. (और साथ ही साथ आर्थिक वृद्धि दर इतना कम भी न हो कि मंदी की समस्या खड़ी हो जाए)

48.7.12 📊 Misc Term: "Headwinds" & "Tailwinds" in economic growth

challenges (headwinds)	opportunities (tailwinds)
e.g. inflation, global slowdown, oil prices etc	Young population, favourable monsoon, etc.

48.8 📈🌱📱🎧 GDP GROWTH RATE & 5 TRILLION ECONOMY

48.8.1 📊👤🌐 World Bank-ICP's GDP series based on PPP

Faded outdated topic. Deleting it. CA-PDF wallas had over-hyped it unnecessarily.

48.8.2 📁 Budget-2019: \$5 Trillion economy

Year	India's GDP in trillion \$ (Current Prices)
2014-15	1.85 trillion
2018-19	2.70 trillion
2019-20	2.90 trillion
2021-24	 whatever जो भी होगा
2024-25	5 trillion targeted (i.e.by 31/3/2025)
2023	7 trillion (as per CEA Nageswaran)

- ES19 has given blueprint for this and said, "We kept the cover of this survey in skyblue color, because we've given **blueprint for \$5 trillion economy.**"
- **Counterview:** Former RBI Governor C.Rangarajan said India cannot achieve 5 trillion dollar economy by 2025, because to achieve it, we'll have to grow at 9-10% annually but at present we are struggling with 5-6% growth rate. (यानि की हमसे ना हो पाएगा)



📌 FAQ: Can we quote “\$5 trillion GDP target” number in our Mains answer writing- especially when in reality it seems impossible to achieve? Ans. Even after Corona, government/NITI/Eco-Survey has not admitted officially that they cannot achieve it and they are quitting this target. So we can still use this \$ 5 trillion number in our Mains Answer Writing.

48.9 📈🌱📱🎧 GDP GROWTH RATE BEFORE CORONA

48.9.1 📈📈 Growth rate: why fall / decline? (B4 Corona)

- ⇒ Protectionism in China and the USA (संरक्षणवाद), US-Iran geopolitical tensions (भू-राजनीतिक तनाव) → global trade is affected. (अंतरराष्ट्रीय व्यापार में कमी)
- ⇒ Sharp 📉 in the automobile purchase. This problem will further worsen with Bharat-6 emission norms. Such vehicles are more expensive than previous models.
- ⇒ Virtuous Cycle of Growth (संवृद्धि का सु-चक्र):
 - ↑ investment → ↑ economic growth → ↑ consumption → ↑ investment.
 - In India, investment slowed down in the aftermath of Nonperforming assets - Twin balance sheet syndrome (TBS) & IL&FS-NBFC Crisis. (Ref: Pillar#1B)

According to critiques, the demonetization and GST too have harmed the growth rate but 📦📦 ES20 stand is ‘short term challenge, long term benefit’. (लघुअवधि में चुनौतियां लेकिन दीर्घावधि में विमुद्रीकरण तथा वस्तु एवं सेवा कर से भारतीय अर्थतंत्र को फायदा ही होगा)

48.9.2 😞📈🌱📱🎧 Negative GDP growth: Post Independence

They have happened 4 times since independence

Year	1965	1971	1979	2020
Reasons?	drought and war अकाल/सूखा युद्ध	Drought, war	Drought, political instability	Corona (महामारी)
Did Agro Output 📉?	YES. हाँ इन तीनों बार कृषि उत्पादन में काफी गिरावट आयी			NO, Agro output did not decline^

^ Agro output didn't decline in Corona-2020 bcoz (1) reverse migration of workers from city to villages in the farms (2) Transport of Agri items was exempted from the lockdown rules.

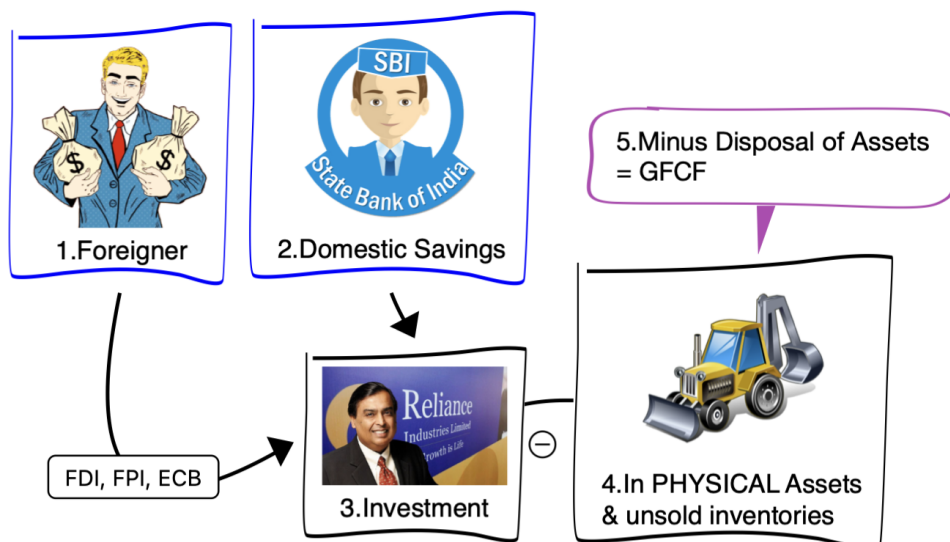
48.10 🌱📱🎧📈 GDP → \$5 TRILLION → HOW TO ACHIEVE?: 📦📦 ES STRATEGY

Savings बचत	It's the Income excess of Consumption. Subdivided into Private Savings [by households & business firm] and Public Savings by Govt organizations.
Investment निवेश	⇒ It's the domestic Savings + foreign money WHICH IS put in Real (physical) Assets like machines, tools, buildings, office spaces, storehouses, roads, bridges, airports and unsold inventory (ऐसा सामान जिसका निर्माण हुआ लेकिन बिका नहीं) ⇒ In an Open Economy Country, Investment may become higher than (Domestic) Savings: - IF there is inflow of Foreign Capital. ⇒ In a Closed Economy, Investment EQUAL = Savings [with many conditions like 0% taxes, etc. but that MA(Economics) is not IMP]
GFCF	Gross Fixed Capital Formation Rate (सकल निश्चित पूंजी निर्माण दर)



= INVESTMENT – DISPOSAL of assets (liquidation, condemnation).

Thus, GFCF shows the net increase in physical assets. It IGNORES depreciation, and land purchases.



48.10.1 🍷 Capital Output Ratio



	USA	India
Cost of bottling plant →	\$ 3 lakh	3
How many bottles it can produce →	2 lakh	1 lakh
Capital Output Ratio	$3/2 = 1.5$ 😊 (Smaller number better)	$3/1 = 3$ 😞 (Higher is bad)

It is the amount of capital needed to produce one unit of output. It depends on factors such as technological progress, prices of capital goods / machinery. In India, High Capital Ratio is among the reasons for subdued growth rates.

48.10.2 🍷 ICOR – Incremental Capital Output Ratio

⇒ ICOR = additional unit of capital or investment needed to produce an additional unit of output.

(एक अतिरिक्त पुर्जा बनाने के लिए कितनी अतिरिक्त पूंजी चाहिए होगी?)

⇒ ICOR in India: 3.8 (2016) → 4.9 (2018) → 6.9 (2019).

⇒ A higher ICOR means a country's production is less efficient

48.10.3 🏭 Harrod-Domar model (1939-46)

- Says we can achieve economic growth by focusing on savings and investment, using the formula

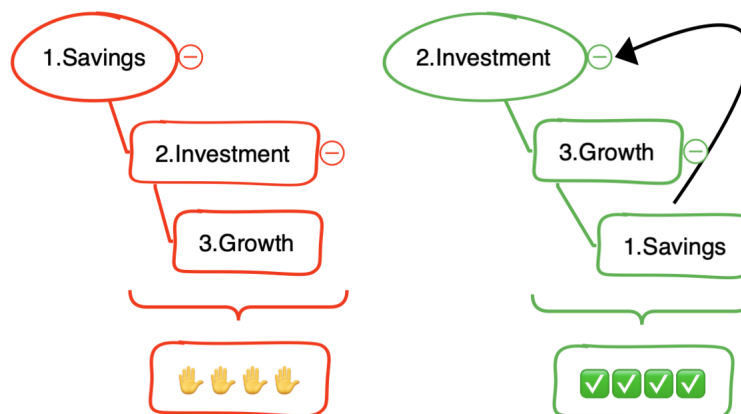
- Growth Rate = Savings Rate / divided by Capital Output Ratio



- in other words, higher savings rate and lower capital output ratio helps in GDP growth.

48.10.4 💰 Investment ↑ more imp than Savings ↑

📖 ES18 had observed: If we want to quickly recover, & bring our growth to 9% then we must ↑ investment → GFCF will ↑ → then growth rate will automatically ↑ → savings will automatically ↑ Therefore,



✅ Increasing Investment / GFCF: should be our urgent priority	👉 Increasing / mobilizing savings is important but should not be our urgent priority
Resolve TBS, encourage Make in India & Startup India, Reforms in Tax Laws, Labour Laws, Environment Clearance, FDI approval etc. निवेश को बढ़ाना हमारी प्राथमिकता होनी चाहिए	PMJDY, Pension-Insurance schemes, Sovereign Gold Bonds, Unearthing black money, Demonetization etc. They're important but not "URGENT" बचत को बढ़ाना प्राथमिकता नहीं होनी चाहिए

Similar theme is also reiterated by ES19 that private investment is necessary for boosting growth.

AB CD ? MCQ. Economic growth in country X will occur if: (Asked in UPSC-Pre-2013)

- (a) there is technical progress in the world economy. (b) there is population growth in X.
(c) there is capital formation in X. (d) the volume of trade grows in the world economy.

AB CD ? MCQ. Despite being a high saving economy, capital formation may not result in significant increase in output due to _____. (Asked in UPSC-Pre-2018)

- (a) weak administrative machinery (b) illiteracy
(c) high population density (d) high capital-output ratio

AB CD !? MCQ. Level of per capita GDP depends upon which of the following? (CDS-2024-1)

1. Proportion of population in the working age 2. Work participation rate
3. Per worker productivity

Codes: (a) 3 only (b) 1 and 3 only (c) 1 and 2 only (d) 1, 2 and 3

48.10.5 ⚡ Capital Intensity Ratio (CIR)

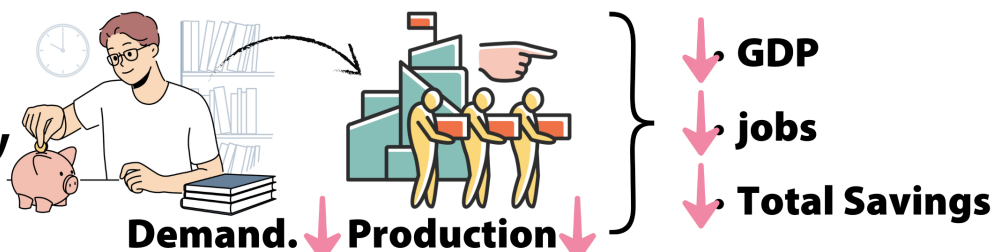
Accounting perspective	macroeconomics perspective
- Total Assets divided by total Sales - It helps to determine how much capital	Total Capital Employed divided by Total Labor Employed.



Accounting perspective	macroeconomics perspective
investment does a company require, to earn ₹1 in sales • एक रुपया कमाने के लिए कितनी पूंजी निवेश करनी होगी?	• It indicates the degree to which a production process is capital-intensive versus labor-intensive.

48.11 Paradox of Savings / Paradox of Thrift

**i'll save money
i'll not buy
iphone**



- Concept popularized by Economist John Maynard Keynes (1936)
- basically says, if individual person save more money → less demand/shopping → fall in GDP → job loss → unemployed worker save less money → fall in total savings of the country.

Counter argument:

- if Americans are saving more money → Apple/Tesla company will get this savings/investment as bank loan.
- Then Apple/Tesla company will R&D/design new products → people will get crazy over those new products → then people will do more shopping in the future.
- So savings is not a bad thing, when looked from long term perspective of R&D/innovation.

48.11.1 💰 Income & Savings - Misc. Terms / one-liner GK

Term	Meaning
Linear Income रेखीय	e.g. salary from a 9 AM to 5 PM job. Requires active physical-mental effort.
Residual Income / Passive Income अवशिष्ट	e.g. dividend income, rental income, fixed deposit interest. Does not require active effort from the person from 9AM-to-5PM.
Disposable Income	= Total Income minus Taxes & Fines
Residual Savings	= Total Income minus Essential Expenses
Contractual Savings अनुबंधित बचत	money that is automatically deducted from salary and saved into EPFO/ESIC, etc. Social security schemes (Ref: Pillar#1D)
Compulsory Savings अनिवार्य बचत	when self-help group (SHG) members and microfinance institution (MFI) borrowers are compulsorily required to save some money into a bank account.
Voluntary Savings स्वैच्छिक बचत	the money saved by a person as per his free will/marzi.

AB CD MCQ. Provident Fund in India is _ _ _ : (UPPSC-PYQ) a) Contractual savings (b) Residual Savings (c) Voluntary Savings (d) Employer's savings



48.11.2 Countercyclic Fiscal Policy, Interest Rate Growth Rate Differential (IRGD)

Covered in 📄Pillar#2D

48.12 🧑🌾🏠🏠📈 GDP → \$5 TRILLION → ATMA-NIRBHAR BHARAT

- ⇒ (Origin) 2020-March: Government of India initiated nationwide lockdown to prevent the spread of Corona/COVID-19 pandemic. (कोरोना महामारी के चलते देशव्यापी तालाबंदी)
- ⇒ This lockdown affected the income and livelihood of everyone from corporate companies to common citizens of India. (सबकी आजीविका को हानी हुई)
- ⇒ Therefore, to revive economy, PM launched Atma Nirbhar Bharat stimulus package in 2020-May to revive the Indian economy. (अर्थव्यवस्था को पुनर्जीवन / प्रोत्साहन का आर्थिक पैकेज)
- ⇒ It's centred on five pillars of – Economy, Infrastructure, System, Demand and Vibrant Demography (स्फूर्तिशील जनसांख्यिकी).



48.12.1 🧑🌾🏠🏠📈 Chronology wise total allotment as per 📄📄ES21

Sr	Item → ₹ allotted as of 2020-Nov	₹
1.	Pradhan Mantri Garib Kalyan Package (PMGKP, 2020-April): ⇒ ₹ transferred in PM Jandhan bank account of women, poor senior citizens, PH ⇒ PMGKP Anna Yojana: Free food grains and pulses to poor families ⇒ Advance installment /frontloading of PM-KISAN beneficiaries ⇒ PM-Ujjwala: Free LPG cylinder to poor people ⇒ Insurance for the health workers EPFO contributions (📄Ref: HDT-Pillar#1D)	>2Lcr
2.	Atmanirbhar Bharat Abhiyaan 1.0 (2020-May 12th)	11Lcr
4.	Atmanirbhar Bharat Abhiyaan 2.0 (2020-October 12th) ⇒ Festival advance via SBI Utsav Cards for Govt employees, LTC benefits to Govt employees, (More in 📄Pillar#2) ⇒ Addl ₹ for defense and roads., States given interest free loans	73Kcr
5.	Atmanirbhar Bharat Abhiyaan 3.0 (2020-Nov 12th) ⇒ Income Tax relief for real estate developers & Home Buyers, ⇒ Production Linked Incentive (PLI) to boost mfg ⇒ Atmanirbhar Bharat Rozgar Yojana / EPFO contribution ⇒ addl ₹ for fertilizer subsidy, addl ₹ for PM Awaas Yojana – Urban (PMAY-U)	2.65Lcr
6.	RBI measures announced till 31st Oct 2020: e.g. 📉CRR, 📉Repo, ↑ WMA, Special loan Windows (📄Ref: HDT-Pillar#1A2)	13LCr
Total Atma-Nirbhar Package (originally it was ₹20 lcr however later it was ↑		~30Lcr



48.12.2 🧐🍌📱🎧📈 Atma-Nirbhar Bharat Salient features

<REFER To respective pillar's handouts>

Mrunal's Pillars	Atma-Nirbhar Salient Features (List not exhaustive)
1A, B,C: Money Banking Finance	⇒ RBI's easy monetary policy, loan moratorium, Additional loan towards States (WMA, CSF), NBFCs & Mutual Funds, Postponed Basel norms ⇒ Government schemes for loans towards NBFCs, MSME ⇒ IBC code suspended ⇒ Allowed Indian companies to directly list their shares in foreign exchange ⇒ Relaxed penalties in the Companies Act
1D: insurance & Fin Inclusion	⇒ ₹50 lakh insurance if Corona health worker died ⇒ Expanded the coverage of workers in ESIC ⇒ Atmanirbhar Bharat Rozgar Yojana / EPFO contribution ⇒ Promised social security, health check up etc for unorganized sector workers (असंगठित क्षेत्र के मजदूरों के लिए सामाजिक सुरक्षा) ⇒ Direct money transfer of 500-1000 rupees in PM-JDY women accounts, Senior citizen accounts, PH etc. (प्रत्यक्ष लाभ अंतरण) ⇒ Loans for SHG, MSME, Street Vendors (SVANIDHI)
2: Public Finance taxation	⇒ Extended the deadline for filing taxes, Reduced TDS rates ⇒ Changed the policy of disinvestment ⇒ Promise to help the states finances ⇒ PM CARES fund for accepting donation ⇒ Festival advance via SBI Utsav Cards for Govt employees, LTC benefits ⇒ States given interest free loans for Capital Expenditure
3: International trade	⇒ RBI's VRR and FAR windows for attracting \$\$ ⇒ Borrowed billions of \$\$ from BRICS-NDB, AIIB, ADB, World bank etc To revive Indian economy (बहुपक्षीय विकास बैंकों से कर्जा) ⇒ Banned the import of 101 defense items. FDI in defense ↑ ⇒ Global companies can't apply for Indian Government tenders below "X" amount. (to reduce import bill & help local biz)
4A: Agriculture,	⇒ Paid the PM-KISAN installments ahead of its due date (Frontloading) ⇒ 3 Ordinance to Reform the agriculture and food processing sector (APMC, Contract Farming, Essential commodities) ⇒ ↑ MSP, Operation Green expanded to all fruits and veggies ⇒ funding / loans for Food processing industry in Dairy cooperatives ⇒ Agriculture Infrastructure Fund, Animal Husbandry Infrastructure Fund, Pradhan Mantri Kisan Sampada Yojana
4B: mfg, Ease of Doing Biz	⇒ Change the definition of MSME, MSME Loan schemes, equity infusion ⇒ Interest subvention in Mudra loans (ब्याज में सब्सिडी) ⇒ Portals: (MSME) CHAMPIONS portal, YUKTI 2.0 (Corona innovation), ⇒ Global companies can't apply for Indian Government tenders below "X" amount. (to reduce import bill & help local biz)



Mrunal's Pillars	Atma-Nirbhar Salient Features (List not exhaustive)
5: Infrastructure	⇒ Reforms to encourage more commercial Mining ⇒ Funding for DISCOMs to increase electricity production ⇒ PM-Awas yojana sub-components deadline extended ⇒ Rental housing will be promoted (किराए के मकानों के निर्माण को प्रोत्साहन) ⇒ PPP for airports, atomic energy, space tech ⇒ Transport → Vande Bharat mission and Shramik special trains to help the migrants reach their home ⇒ Force Majeure in RERA act, No penalty on road contractors If projects not finished in time
6: Poverty, hunger, education	⇒ New portals & TV channels for online education ⇒ One Nation one ration card, free grains, pulses, LPG cylinders for poor ⇒ MGNREGA wages and funding ↑ ⇒ DBT of money in PM-JDY women, poor senior citizens, poor PH ⇒ SHG: loans, procure masks and sanitizers produced by them ⇒ Street vendors ko ₹10k loans (SVANidhi scheme)

🐼 As such Atma-Nirbhar criticism is not important for UPSC exam nowadays. But some idea may be required for interviews.

AB CD ? MCQ. Which steps is most likely to be taken at the time of an economic recession? [आर्थिक मंदी के दौरान निम्न में से कौन सा कदम उठाए जाने की संभावना सबसे ज्यादा है] (Prelims-2021)

- Cut in tax rates accompanied by increase in interest rate [करो में कटौती और ब्याज दरों में बढ़ोतरी]
- Increase in expenditure on public projects [सरकारी प्रोजेक्ट के खर्च में बढ़ोतरी]
- Increase in tax rates accompanied by reduction of interest rate [करो में बढ़ोतरी और ब्याज दरों में कटौती]
- Reduction of expenditure on public projects [सरकारी प्रोजेक्ट के खर्चों में कटौती]

48.12.3 🐼📌 Misc. Terms: Chinese Atma Nirbhar/ Dual circulation (दोहरा परिसंचरण)

To revive Chinese economy Post-Corona, Chinese government has launched "Double circulation program". It focuses on ↑ production in the local economy using certain Foreign Technology & Foreign Investment. How it works actually? NOTIMP

48.13 🌻 GDP GROWTH - 📌 ES OBSERVATIONS / ANALYSIS

48.13.1 🌻 Frontloaded economic stimulus in USA/EU caused overheating says 📌 ES23

Term	Meaning
Economic Stimulus (आर्थिक प्रोत्साहन)	Set of (temporary) measures taken by the government and central bank to revive the economy thru tax cuts, subsidies, cheap loans, money transfer to poor people etc.
Frontloading (अग्रभार से पैसा देना)	situation where large amount of money is delivered in the early stages of the program. e.g. 3-3-1-1 instead of 2-2-2-2
Overheating Of The Economy (अर्थव्यवस्था में अति-	a situation where the economy is growing at an unsustainably high rate, leading inflation and potentially other economic problems-especially, after the economic stimulus is withdrawn (जब आर्थिक प्रोत्साहन पैकेज के चलते अर्थतंत्र अग्रत्याशित

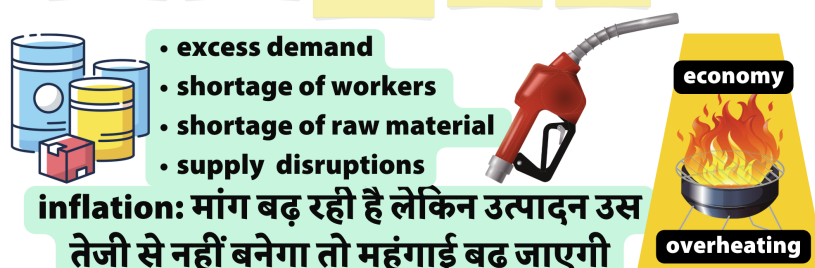


Term	Meaning
ताप)	ऊंची दर से वृद्धि करें, जो कि लंबे समय के लिए टिकाऊ ना हो, तब अर्थतंत्र में महंगाई और दूसरी समस्याएं बढ़ जाती है - इसे अति-ताप कहते हैं।)



FRONTLOADED ECONOMIC STIMULUS

cheap loans, tax break, public project



48.14 🧐 4 CHALLENGES TO GDP BY CEA V ANANTHA NAGESWARAN (2024)

48.14.1 🧐 CEA-GDP-Challenge #1: Onshoring and Friendshoring

slowdown of hyper-globalisation → more friend shoring and onshoring → more Geo-economic fragmentation. (अति-वैश्वीकरण की मंदी → अधिक मित्रता और ऑनशोरिंग → अधिक भू-आर्थिक विखंडन।)



Term	Meaning
Friend-shoring	A trade practice where supply chain networks focus on countries considered political and economic allies. (e.g. USA making agreements with Taiwan/S.Korea for assembly of microprocessor and semiconductor industry.) = 🤔 bad for India's PLI scheme. (आपूर्ति श्रृंखला के लिए अपने मित्र राष्ट्रों के साथ संबंध गहरे करना)
On-shoring	The relocation of supply chains to the home country, often to enhance domestic production security. e.g. if Tesla shifting factories from China to USA. = 🤔 bad for Indian Govt's desire to get Tesla factory. (विदेश में स्थित फैक्ट्री को अपने गृह राष्ट्र / मादरे-वतन में पुनःस्थापित करना)
Home-shoring	(also known as homesourcing) refers to the practice of employing people to work from their homes rather than in a company's office or factory. (e.g. if Infosys telling employees to work from home, to reduce office light bill.)

48.14.2 🤖 CEA-GDP-Challenge #2-4: Energy, AI, Skill

- 🤖 **Challenge-2:** Balancing / trade-off between energy security and economic growth i.e. (1) we cannot increase production without using more coal but then climate-activists will start agitation. (2) if government gives too much tax breaks and subsidies to the solar/wind energy, then it'll reduce the public funds available for other sectors of economy and thereby affecting the economic growth).
- 🤖 **Challenge-3:** Artificial Intelligence (AI). 40% global jobs exposed to it, says IMF.
- 🤖 **Challenge-4:** Talented and skilled workers' shortage.

48.15 🇮🇳 INDIA- THE FOURTH LARGEST ECONOMY (2025)

- 2025-June: International Monetary Fund (IMF) released its annual projections for 2025 (At nominal GDP at market exchange rates)
- India's GDP = \$4,187.03 billion; Japan's GDP = \$4,186.43 billion.
- Thus, India will be the fourth largest economy of the world in 2025

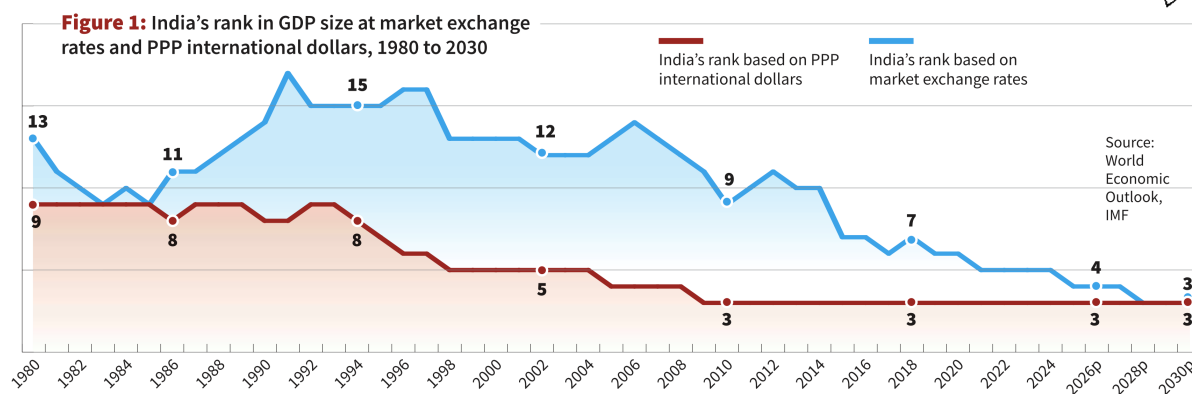
Table 1: Ranks of the top 10 economies in nominal GDP at market exchange rates, 1990 to 2030, in U.S. dollars

Country	1990	2000	2009	2024	2025p	2030p
United States	1	1	1	1	1	1
China	11	6	3	2	2	2
Germany	3	3	4	3	3	4
Japan	2	2	2	4	5	5
India	14	13	11	5	4	3
United Kingdom	5	4	6	6	6	6
France	4	5	5	7	7	7
Italy	6	7	7	8	8	9
Canada	7	8	10	9	9	8
Brazil	10	10	8	10	10	10

Table 2: Ranks of the top 10 economies in nominal GDP at PPP exchange rates, 1990 to 2030

Country	1990	2000	2009	2024	2025p	2030p
China	7	3	2	1	1	1
United States	1	1	1	2	2	2
India	8	5	3	3	3	3
Russian Federation	-	9	6	4	4	4
Japan	2	2	4	5	5	5
Germany	3	4	5	6	6	6
Brazil	9	10	8	7	8	8
Indonesia	13	14	12	8	7	7
France	5	7	7	9	9	10
United Kingdom	6	8	9	10	10	9

source of these tables and graphs = thehindu newspaper.



- The new rankings will be as follows: (दुनिया की चौथी सबसे बड़ी अर्थव्यवस्था)
- Nominal Exchange Rate wise: USA, China, Germany, India
- PPP Exchange Rate - China, USA, India. (since 2009 itself, India is 3rd largest economy.)

MCQ. Which of the following statements is incorrect? (GPSC-2025)

- (A) Gross Value Added (GVA) captures the income generated by all economic units of the country.
 (B) GDP is obtained by adding all expenditures carried out in the economy.
 (C) GDP is equal to GVA added with net taxes.
 (D) GVA is helpful in comparing economic performance of various countries. (तो जख मारने के लिए GDP से तुलना हो रही है भारत और जापान की!!?)

GNP → NNP (Market price)
→ NNP (FC) = National Income

If foreigners sends money to India will it be counted??	GDP	GNP	NDI
Primary income (or factor income) wages interest profit rent	NO	YES	YES
Secondary income (or transfer payments) Gifts, remittance donations charities fines	NO	NO	YES

foreign mein share/ bond/ property investment = profit (dividend), interest, rent

48.16 GDP → GNP TO NNP TO PER CAPITA INCOME

- Primary income (or factor income) = wages, interest, profit, rent
 - Secondary income (or transfer payments) = gifts, donations, charities, fines
- Now, first, we've to derive Gross National "Product" (GNP: सकल राष्ट्रीय उत्पाद) i.e.
- India's GDP
 - PLUS Primary income earned by residents^{##} from overseas.
 - MINUS Primary income earned by non-residents from India.



👉 IGNORE secondary income. (e.g. gift, donation, remittance)

👉 IGNORE the incomes from sale of second hand (=used) goods.

##NCERT says **citizens**. But, for the purpose of GNP. I have gone with the college-level academic book- 'Macro economics by George Mankiw'. He uses the term "residents". Q. who is resident? = "Depends on up to how many months the person is staying in the given country- as defined by OECD." **In real exam MCQ, tick depending on context/options.**

$$\text{GNP (Market Prices)} = \text{GDP} + \text{"NET" factor income from abroad. 🇮🇳}$$

Whenever something is produced, capital assets get consumed due to wear and tear. This wear and tear is called **Depreciation** (मूल्यह्रास). Since, depreciation does not become part of anybody's income, so it has to be subtracted.

$$\text{Net National Product (NNP@Market Price)} = \text{GNP MINUS Depreciation. 🇮🇳}$$

However, here we are getting the NNP at 'Market Prices'. We've to convert it to Factor cost.

$$\text{NNP (Factor Cost)} = \text{NNP (Market Price)} (-) \text{ Indirect Taxes } (+) \text{ Subsidies.}$$

NNP (Factor Cost) is the **National Income of India**, says NCERT Class12.

$$\text{Per Capita Income (प्रति व्यक्ति आय)} = \text{NNP} \div \text{population of India}$$

Per Capita Income	2016	2020-21	2021-22	2022-23
Population in Crores	129	135.5 cr	136.9 cr	138.3 cr
Per capita income @₹ Current Prices	1,04,659	>1,28,000	>1.50 lakh	>1.70 lakh
At ₹ Constant Prices (@BaseYear2011)	82,931	>86,000	>93,000	>98,000

- Note: 🇮🇳 Budget-2023 says since 2014 The per capita income has more than doubled to ₹1.97 lakh. However, I could not find that data in latest MOSPI release. Above table contains data from MOSPI release. Then which answer is right? Ans. Tick as per MCQ Options.
- Per capita income will be 14.9 lakh by 2046-47, says SBI Research Paper.

AB CD ? MCQ. National product at factor cost is equal to [UPSC-CDS-2014-II]

- (a) Domestic product + Net factor income from abroad.
- (b) National product at market prices - indirect taxes + subsidies.
- (c) Gross domestic-product - depreciation.
- (d) National product at market prices + Indirect taxes + subsidies.

AB CD MCQ. Suppose an Indian citizen makes an investment abroad and earns a positive return on her investment. Which of the following is correct? (CAPF-2023)

- (a) Her income is part of India's GDP, but not part of India's national income.
- (b) Her income is part of India's national income, but not part of India's GDP.
- (c) Her income is part of both India's GDP and national income.
- (d) Her income is neither part of India's GDP, nor its national income.

AB CD MCQ. Find Correct: (UPSC-CDS-2)

1. An additional spending by the Government of ₹ X is likely to have less impact on income than an



additional transfer of ₹ X to households.

2. An additional spending by the Government of ₹ X is likely to have less impact on income if it is not accompanied by an expansion in money supply.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

48.16.1 GDP → National Income → Net Domestic Product (NDP) of a Nation

- GDP minus (Depreciation of assets) = NDP
- In India, the **Ministry of Commerce** decides the depreciation %.

48.16.2 GDP → National Income → Misc. concepts

Gross National Income (GNI) सकल राष्ट्रीय आय	OECD defines it as GDP + NET receipts from abroad (wages, interest, profit, rent) plus net taxes & subsidies receivable from abroad. Here, 'Wages and salaries' from abroad = 'Guest' workers who reside abroad for less than 12 months and whose centre of economic interest remains in their home country. The technical difference between GNP and GNI = not IMP
National disposable income राष्ट्रीय प्रयोज्य आय	= NNP + Other Current Transfers from rest of the world (remittances, gift, donations etc.) National Disposable Income gives an idea of what is the maximum amount of goods and services the domestic economy has at its disposal.
Personal income (PI)	Very contrived formula, not important.
Personal Disposable Income	Personal Income MINUS Personal Tax Payments (e.g. income tax) MINUS Non-tax Payments (e.g. fines)
What is National Income Accounting ?	Name of the NCERT chapter dealing with above topics

You can satiate further scholastic curiosity by studying (new) NCERT macroeconomics class 12 Ch.

National Income Accounting page 24 onwards but poor cost : benefit.

MCQ. CDS2019-II-Q61 Which of the following equals Personal Disposable Income?

- Personal Income - Direct taxes paid by households and miscellaneous fees, fines, etc.
- Private Income - Saving of Private Corporate Sectors - Corporation Tax
- Private Income - Taxes
- Total expenditure of Households - Income Tax - Gifts received

MCQ. find wrong about National Income Accounting for India? (CDS-2024-1)

- Imports are subtracted in calculating Gross Domestic Product.
- Net factor payments earned from abroad are included in Gross Domestic Product.
- Purchase and sale of second-hand goods are not included in Gross Domestic Product.
- Inventories are included in Gross Domestic Capital Formation.

48.17 DEPRECIATION OF FIXED ASSETS: MEANING (मतलब)

- Fixed assets are the assets which are used in business for more than one accounting year. (Also called "depreciable assets")
- e.g. machines, plants, furnitures, buildings, computers, trucks, vans, equipments, etc.



- “Depreciation” means decline in the value of a fixed assets (स्थायी संपत्तियों के मूल्य-हास को घिसाव कहते हैं)

48.17.1 🟡 Depreciation: factors causing it (इन कारकों से होता है घिसाव)

- Wear and Tear due to use; Passage of Time
- Arrival of a new machine/model (= obsolescence)
- Exposure to natural phenomenon like weather, winds, rains, moisture etc.
- Abnormal factors such as accidents due to fire, earthquake, floods, etc.

48.17.2 🟡 Depreciation: Features (घिसाव की लाक्षणिकताएँ)

- Depreciation is permanent, continuing and gradual shrinkage in value of fixed assets.
- Depreciation is deducted before calculating the taxable income. (टैक्स में माफ़ी मिलती है) e.g.

Component	Amount ₹
A. Profit	(+) ₹50,000
B. Depreciation	(-) ₹ 10,000
Taxable profit or taxable income (= A-B)	= ₹40,000

- Thus Depreciation helps to ascertain true profit or loss of a business. (धंधे के वास्तविक मुनाफ़े या घाटे को गिरने में मदद करता है)
- Depreciation is a non-cash expense. It does not involve any cash outflow. Because It is the process of writing-off the capital expenditure already incurred. (इसमें कोई पैसा बाहर जाता नहीं है)

48.17.3 🟡 Depletion and amortisation

Term	Meaning
🟡 Depletion (प्राकृतिक संसाधनों का हिसाब/मूल्यहास)	concept similar to depreciation, but in context of natural resources like mines, quarries, etc.
🟡 Amortisation (अमूर्त संपत्तियों का घिसाव/मूल्यहास)	concept similar to depreciation, but in context of intangible assets like patents, copyright, trade marks, franchises, goodwill. (Ref: Pillar#1C for more on goodwill)

AB CD MCQ. Which one of the following statements is not correct? (EPFO-2023)

- (a) Depreciation is a non-cash expense. (b) Depreciation is the process of valuation of assets.
(c) The main cause of depreciation is wear and tear caused by usage.
(d) Depreciation must be charged so as to ascertain true profit or loss of a business.

48.17.4 🟡 TYPES OF NATIONS : HIGH INCOME, LOW INCOME

⇒ World Bank has publishes “World Development Report” annually since 1978.

⇒ 2020- theme: Trading for Development in the Age of Global Value Chains

⇒ 2021-theme : Data for better lives.

Type of country	Defined in terms of per capita gross national income (GNI)
High Income (उच्च)	\$12,696 or more e.g. Israel (>\$40,000), USA (>60,000)
Upper-Middle Income (उच्च मध्यम आमदनी)	\$4096 and \$12,695 e.g. China (>\$10,000)



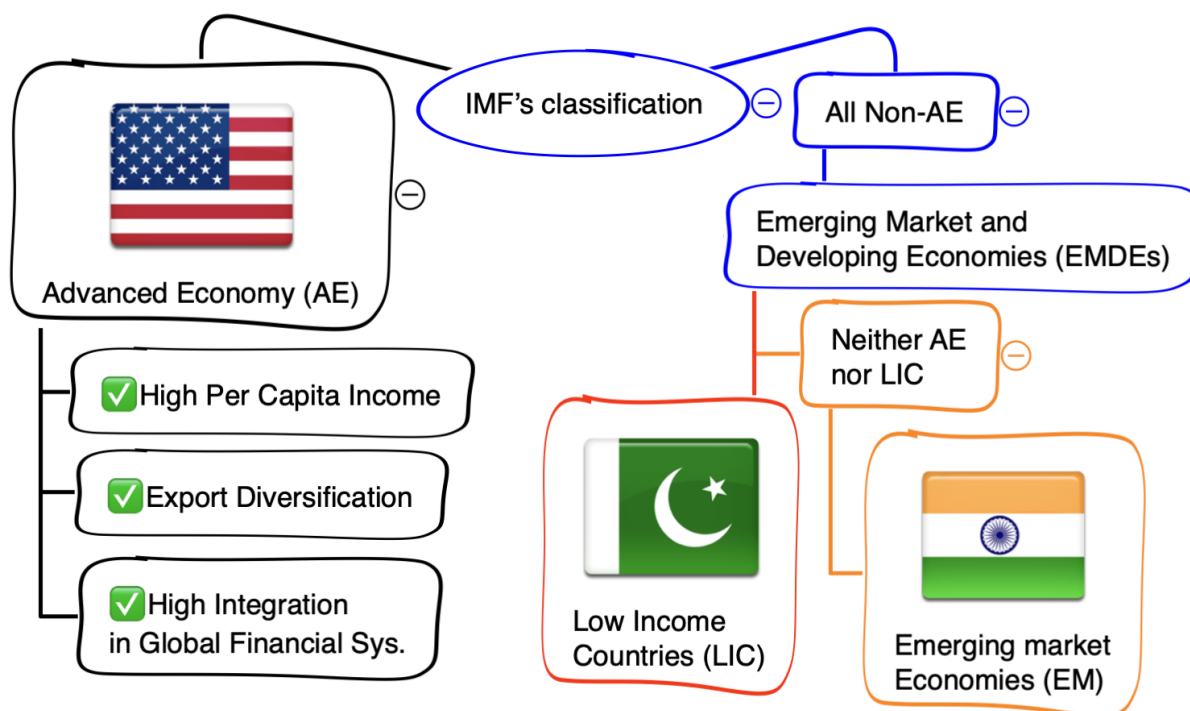
Lower-Middle Income (निम्न मध्यम आमदनी)	\$1,046 and \$4095; e.g. India (its >\$1928 in year 2020)
Low Income (निम्न)	\$1,045 or less

- ⇒ Earlier, World Bank used above income classifications for analytical purposes only. But since 2018, International Bank for Reconstruction and Development (IBRD, Ref#3B) charges "extra surcharge" on loan interest on high income countries. (विश्व बैंक से कर्ज़ लेते वक्रत उच्च आय वाले देशों ने ज़्यादा ब्याज दर चुकानी होगी।)
- ⇒ 2022-Jan: India has complained to WTO that China is an upper middle income country so it should be given less relaxation/concessions in the trade agreements. (Ref#3B) (चीन उच्च मध्यम आय वाला देश है इसलिए उसे विश्व व्यापार संगठन के व्यापार संधियों में कम रियायतें मिलनी चाहिए ऐसी भारत ने शिकायत की)

48.17.5 Types of Nations : Advanced Economies (AE : उन्नत अर्थव्यवस्थाएं)

It is a term used by IMF to describe "Developed nations" or "Mature economies who've :

1. per capita income level = high. प्रति व्यक्ति आय काफ़ी ऊँची
2. export diversification = Exporting many types of goods and services. Not just single type of good/service. So, If 70% of Kuwait export income just comes from crude oil then it is not "diversified" = Kuwait Not advanced economy. निर्यात में विविधता
3. Highly integrated into the global financial system= So it is more likely that they would be members of the OECD group much before the 1990s. (e.g. USA, UK, Germany France, Japan etc) (वैश्विक वित्तीय प्रणाली इतने गहरे रूप से सुगृहीत)



48.17.6 Types of Nations : EMDEs (उभरते बाजार और विकासशील अर्थतंत्र)

It is a term used by IMF to describe Emerging Market and Developing Economies (EMDEs) = All the other countries who are advanced economies (AE) yet.

EMDEs may be further sub-classified into two parts

1. Low Income Countries (LIC) e.g. Afghanistan Myanmar Nepal etc कम आमदनी वाले देश



2. Emerging market economies (EM) = neither "AE" nor "LIC" e.g. Brazil, India, China South Africa Russia etc. उभरते बाज़ार अर्थतंत्र- ऐसे देश जो कि न तो उन्नत अर्थव्यवस्था श्रेणी में हैं, न तो कम आमदनी वाले देशों में हैं

48.17.7 🗨️ Types of Nations : Bangladesh transition from LDC to Developing Country

United Nation's Economic and Social Council (ECOSOC, New York, USA) → its Subsidiary body United Nations Committee for Development Policy (CDP) has set following parameters for classifying Least Developed Countries (L.D.C- अल्प विकसित देश):

- 1) **Per Capita Gross National Income (GNI)** of \$1230 or lower. (प्रति व्यक्ति सकल राष्ट्रीय आय)
- 2) **Economic and Environmental Vulnerability Index (EVI)**: based on % Population living in low elevation coastal zones, Victims of natural disasters, Instability of Agriculture production and Exports etc. (आर्थिक एवं पर्यावरण भेद्यता सूचकांक:- जिसमें की कम-ऊँचाई के तटवर्ती इलाकों में रहने वाली आबादी, प्राकृतिक आपदा से पीड़ित व्यक्ति, कृषि उत्पादन और निर्यात में स्थिरता इत्यादि को देखा जाता है)
- 3) **Human Assets Index (HAI)**: based on % of Undernourished population, Mother and child mortality, School enrolment, adult literacy etc. (मानव संपत्ति सूचकांक: कुपोषित आबादी, मातृ और बाल मृत्यु दर, स्कूल में दाखिले, प्रौढ़ साक्षरता इत्यादि को देखा जाता है)
- 2021-Nov: **United Nations General Assembly** has announced that based on above 3 indicators: Bangladesh, Nepal and Republic of Lao will 'upgrade' from LDC to a 'Developing country by 2026. (संयुक्त राष्ट्र की सामान्य सभा ने कहा कि यह तीन देश विकासशील देश माने जाएं)

🤔 Negative outcomes of exiting L.D.C Status?

1. Bangladeshi exports will not be eligible for duty-free-quota-free access under WTO agreements. [After certain years. Refer to Pill3C for exact rules.] (निर्यात को शुल्क-मुक्त-कोटा-मुक्त प्रवेश नहीं मिलेगा)
2. WTO norms related to agriculture-subsidy & IPR will become tighter. (विश्व व्यापार संगठन के कृषि-सब्सिडी और बौद्धिक संपदा अधिकार के नियम सख्त होंगे)
3. Bangladesh will not get interest-free loans from World Bank & other multilateral Development Banks (अंतरराष्ट्रीय संगठनों से ब्याज मुक्त लोन/कर्ज नहीं मिलेंगे)
4. Aid/Donations/Grants from International organisations will decline. (अनुदान में रकम कम मिलेगी)
5. Tighter Norms related to Climate Change / Pollution Control under International agreements. (जलवायु परिवर्तन प्रदूषण नियंत्रण के अंतरराष्ट्रीय समझौते/नियम सख्ती से लागू होंगे)

😊 Positive Outcomes of exiting L.D.C Status?

It'll send signal to foreign investors that Bangladesh can be a large consumer market = Incoming Foreign Investment ↑ → job creation & GDP. (विदेशी निवेश में बढ़ोतरी होगी-रोजगार सृजन और जीडीपी में मदद)

48.17.8 🤔 Bangladesh Per Capita GDP higher than India?

This debate is faded for 2024-25 exam. So deleting it.

48.17.9 Bhutan graduates from LDC (2023)

- ⇒ Bhutan will also exit from LDC list in 2023-December.
- ⇒ Matter similar to Bangladesh case study given above.

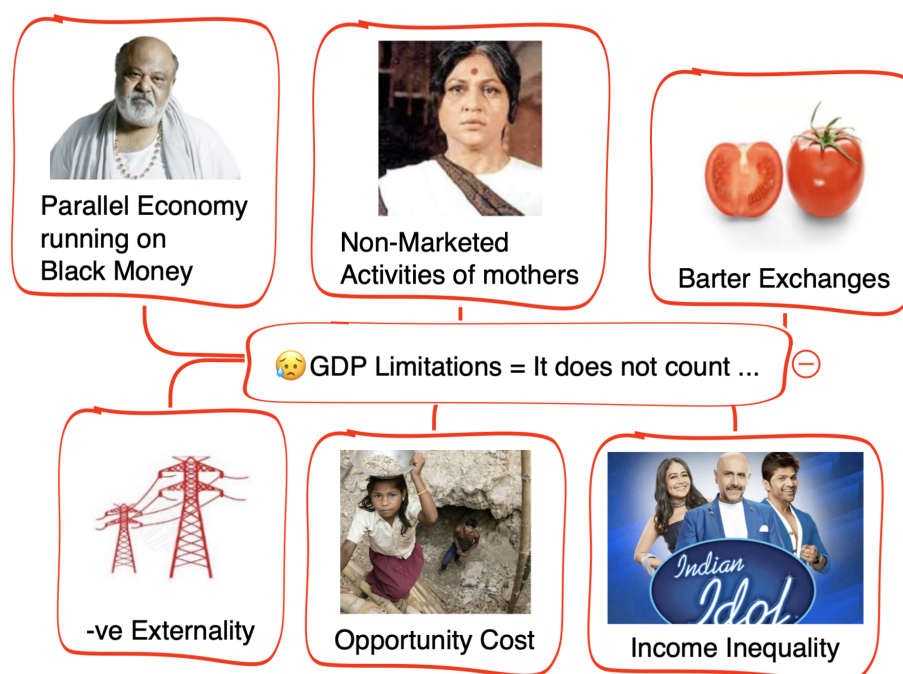


48.17.10 📌 India As A 'Developed' Country? (भारत एक विकसित देश?)

- ⇒ 15th August 2022: PM Modi Speech - Goal to become a developed country by 2047 when we celebrates 100 years of independence.
- ⇒ While there is no unanimous commonly accepted definition of developed country.
- ⇒ United Nations, the World Bank, the World Trade Organization, and the World Economic Forum use their indicators to classify “developed” and “developing” countries.
- But, some features of a developed nation are:
- ⇒ GDP is very high. Per capita gross national income (GNI) very high.
- ⇒ Standard of living and Human Development Index (HDI) very high.
- ⇒ Now what should India do, to become a developed country? Ans. recycle the points that we have learnt / will learn in the Mains HDTs Pillar4-5-6.

(भारत को 2047 तक एक विकसित देश बनाएंगे. हालाँकि विकसित देश की व्याख्या के बारे में अलग अलग संस्थाओं में एकमत नहीं है)

48.18 📌 🐼 GDP & PER CAPITA INCOME → CRITICISM / LIMITATIONS

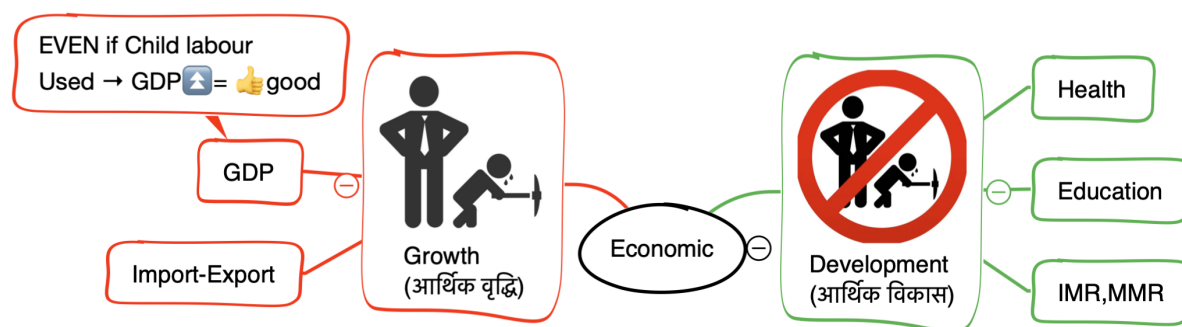


1. GDP doesn't give us true picture of Indian economy because
 - (a) Presence of unorganised sector of economy = not all the production data is captured.
 - (b) To avoid any scrutiny by income tax and GST tax officials, the businessmen deliberately show low level of production during the surveys conducted by NSO.
 - (c) Large size of parallel economy which functions on black money and cash.
2. GDP Provides only quantitative picture and does not consider the **qualitative aspects / negative externalities** (नकारात्मक बाह्यताएँ) e.g. More coal based thermal power production = more GDP, disregarding how much pollution it created. कोयले से चलने वाले ताप विद्युत केंद्र, वायु प्रदूषण
 - a. So, Economist Peter Wood (1980s) came up with the **Green (हरित) accounting & Green GDP** concept to consider environmental costs as well.



- b. 2021: Uttarakhand became the first state in India to take into account Gross Environment Product (GEP: सकल पर्यावरण उत्पाद) while calculating its Gross State Domestic Product (GSDP). Forest, air, water & soil quality and quantity to be measured, assigned monetary value. Then if every year if GEP ↓ that means environmental degradation is happening → public /media pressure → state government will be forced to take action
- GDP ignores non-marketed activities e.g. domestic work done by mother.
 - GDP ignores the Opportunity Cost (अवसर लागत) e.g. A child labour produced ₹ 50000 rupees worth firecracker annually = added in GDP. But, child labourer could not pursue education ELSE he **could have** become a doctor/engineer and produced ₹ 5,00,000 worth of annual goods and services - such angles are not considered in computing GDP.
 - GDP ignores inequality of income among people. (आय की असमानता)
 - So, later on Gross Happiness Index, Physical Quality Of Life Index, Human Development Index etc were invented (Ref: Pillar#6)

48.18.1 GDP → Economic Growth vs Economic Development



What does this chart mean? Ans. Watch video. More about economic development in pillar6: HRD.

AB CD ? MCQ. Increase in absolute and per capita real GNP do not connote a higher level of economic development, if __ __ . (Pre-2018)

- A] industrial output fails to keep pace with agricultural output.
 B] agricultural output fails to keep pace with industrial output.
 C] poverty and unemployment increase. D] imports grow faster than exports.

AB CD ? MCQ. A decrease in tax to GDP ratio of a country indicates __? (Prelims-2015)

- 1) Slowing economic growth rates 2) Less equitable distribution of national income

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

Next Handout 🍎🍎 Pillar#4E: Macro Indicators → Inflation



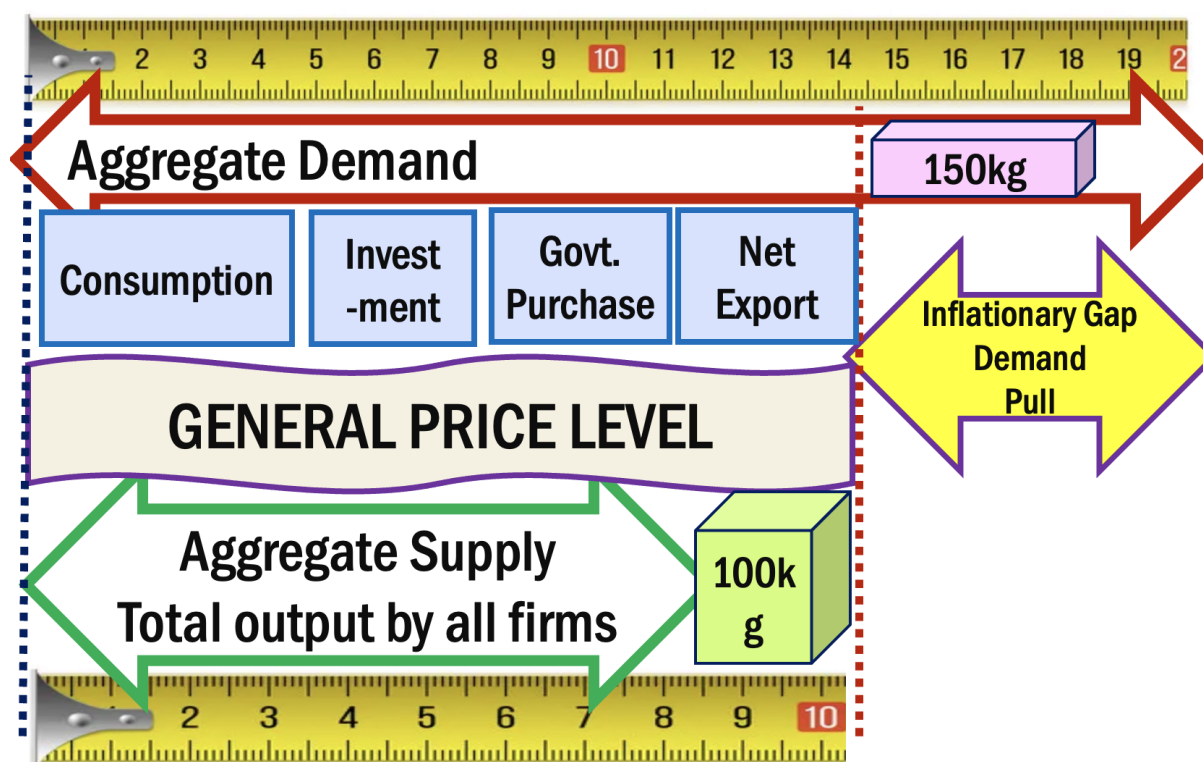
🍎🍎 PILLAR#4E: MACROECONOMIC INDICATORS: INFLATION, WPI-CPI; ETC

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49 🍅 PILLAR#4C: INDICATORS → INFLATION



- **Inflation** is the rise in the general level of prices of goods and services in an economy over a period of time. (वस्तु और सेवाओं की सामान्य कीमतों में होने वाली बढ़ोतरी को महंगाई या मुद्रास्फीति कहते हैं)
- **Deflation** is inverse of above definition. Deflation occurs when the inflation rate falls below 0% (मुद्रा अवस्फीति- महंगाई जब 0% से भी कम हो जाए)

49.1 🍅 INFLATIONARY AND DEFLATIONARY GAPS

- In his book “General Theory on employment, interest, money”, British Economist J.M.Keynes (1883) said, “when economy is functioning at full employment, aggregate supply will match aggregate demand.” At this equilibrium, we’ll have ‘General Price’ level → any increase → inflation, decrease → deflation.

Aggregate Demand (AD)

= Consumption(C) + Investments(I) + Govt Purchases (G) + Exports (X)- Import (M)



 Inflationary Gap (मुद्रास्फीतिकारी अंतर)	 Deflationary Gap (अवस्फीतिकारी अंतर)
It could have occurred because of 1. ↑ Money supply 2. ↑ Propensity to consume, 3. ↑ Investment expenditure 4. ↑ Fiscal deficit 5. ↑ NET exports 6. High growth → higher Aggregate demand → could lead to inflation.	It could have occurred because of 1. ↓ Money supply 2. ↑ Propensity to SAVE / Consumer delaying purchase with hopes of further fall in prices. 3. ↓ Investment expenditure, 4. ↑ Fiscal consolidation 5. ↓ NET exports 6. Depression / Recession that results into falling 'Aggregate demand'.
 Inflationary Spiral (मुद्रास्फीति में उत्तरोत्तर वृद्धि) When inflation increases, workers demand higher wages to keep up with the cost of living → firms pass these higher labor costs on to their customers → higher prices → more inflation →	 Deflationary Spiral Fall in prices → lower profit to firm → lower production, lower wages / workers laid off → lower demand → lower prices → ...

AB CD ? MCQ. A rise in general level of prices may be caused by (UPSC-Pre-2013)

1. An increase in the money supply. (मुद्रा आपूर्ति में वृद्धि)
2. A decrease in the aggregate level of output. (उत्पादन में कमी)
3. An increase in the demand. (मांग में बढ़ोतरी)

Answer Codes: (a) 1 only (b) 1 and 2 only (c) 2 and 3 only (d) 1, 2 and 3

AB CD ? MCQ. Economic growth is usually coupled with? (UPSC-Pre-2011)

- (a) Deflation (b) Inflation (c) Stagflation (d) Hyperinflation

AB CD ? MCQ. Which is an appropriate description of deflation? [UPSC-CDS-2012-II]

- (a) it is a sudden fall in the value of a currency against other currencies.
- (b) It is a persistent recession in the economy.
- (c) It is a persistent fall in the general price level of goods and services.
- (d) It is fall in the rate of inflation over a period of time.

AB CD ? MCQ. The sustained decrease in the general price level is called as (CDS-2023-I)

- (a) deflation (b) stagflation (c) devaluation (d) recession



49.2 🐯🍅🐯 COMBATING INFLATION OR DEFLATION



	🍅📈 Fighting inflation	🍅📉 Fighting deflation
RBI 🐯	Tight / dear / Hawkish Monetary Policy to make the loans expensive	Cheap / Easy / Dovish - to make loans cheaper
Govt 🐯	- 🍌 Tax deduction / exemption / subsidy benefits towards producers to decrease the cost of production. - Curtailing Fiscal Deficit. - Curtailing schemes/subsidies that ↑ money in the hands of beneficiary without increasing production. - 📄 Ordering RBI to issue inflation Indexed Bonds, Sovereign Gold Bonds - Essential commodities act, Stock limits, Minimum Export Price, FCI's Open Market Sale Scheme, Operation Greens for TOP, Price stabilization fund, Offering higher MSP to farmers to ↑ cultivation of a particular crops	- 🍌 Tax deduction / exemption / subsidy type benefits to consumers to encourage purchase / consumption. (e.g. cut GST on Television, Computers, Cars) खरीदारी को प्रोत्साहन देने के लिए कर-छूट/सब्सिडी - Increasing the expenditure on public projects e.g. highway, dam etc. to boost demand in steel / cement industry → workers get money → demand → towards inflation. बुनियादी अवसंरचना पर सार्वजनिक खर्च को बढ़ाया जाए

AB CD ? MCQ. Which of the following measures should be taken when an economy is going through inflationary pressures? [UPSC-CDS-2012-I]

1. The direct taxes should be increased.
2. The interest rate should be reduced.
3. The public spending should be increased.

Answer Codes: (a) Only 1 (b) Only 2 (c) 2 and 3 (d) 1 and 2

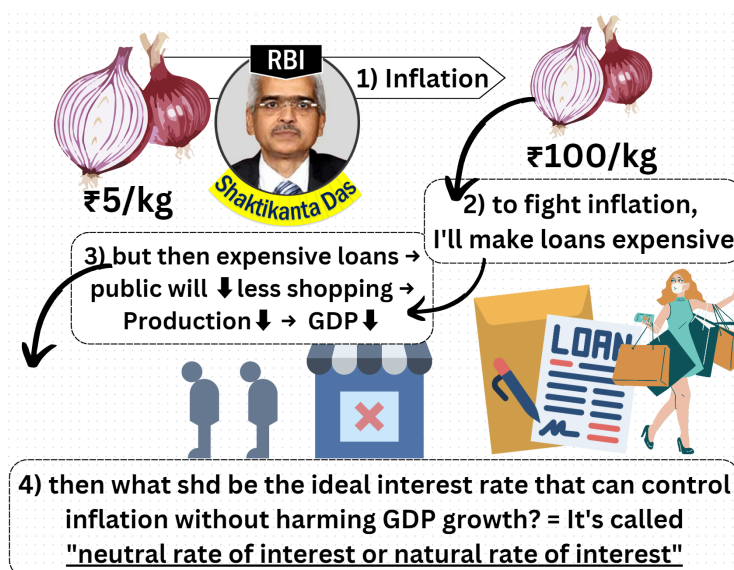
MCQ. Which measure(s) can be used by the Govt for combatting inflation? (CDS-2023-I)

- (a) Increasing the non-planned expenditure on defence, police, etc.
- (b) Providing more subsidies on exports
- (c) Increasing the rate of interest on savings and fixed deposits
- (d) Reduction in CRR

MCQ. Which one of the following situations can lead to inflation? (CDS-2023-I)

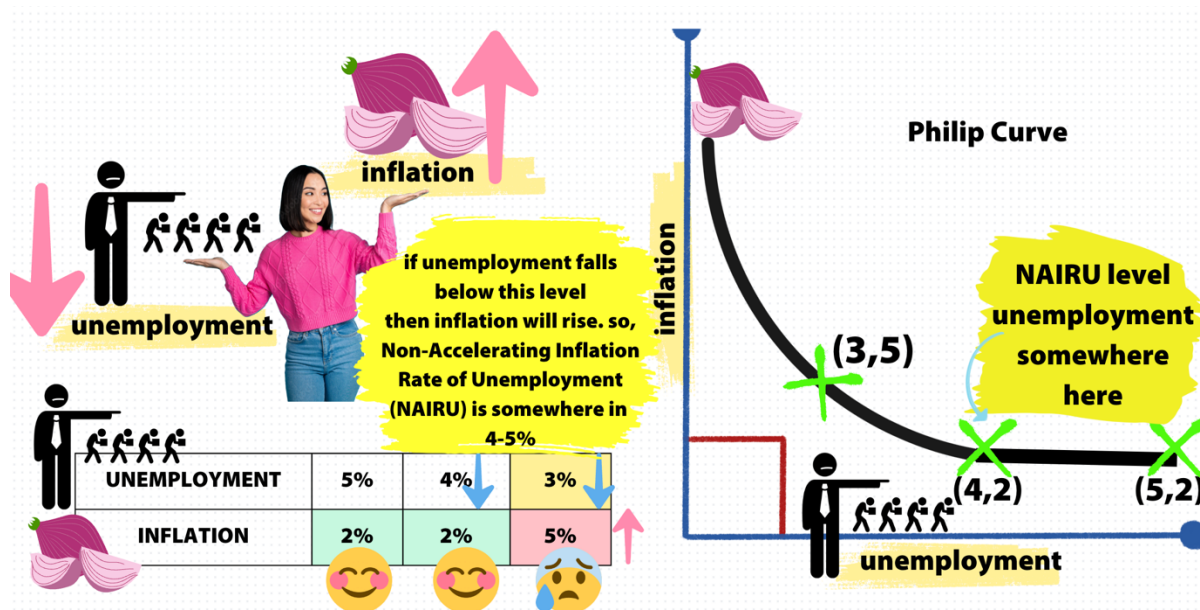
- (a) Rapid growth of aggregate demand outweighing supply
- (b) Sluggish growth of aggregate demand
- (c) Reduction in the money supply
- (d) Higher levels of unemployment

49.2.1 🍷🍎 Neutral rate of interest / natural rate of interest (ब्याज का तटस्थ दर)



महंगाई से लड़ने के लिए लोन महंगे किये तो लोग खरीदारी कम करेंगे -> तो उत्पादन कम होगा तो -> आर्थिक वृद्धि दर गिर जाएगा। तो फिर लोन का आदर्श दर क्या होना चाहिए जिससे महंगाई भी काबू में रहे, साथ ही साथ, आर्थिक वृद्धि दर भी न गिरे?

49.2.2 NAIRU: Non-accelerating Inflation rate of unemployment & Philip Curve



⇒ As per Philip's curve then inflation ↑ then unemployment ↓ (downward sloping curve)

⇒ That means, if unemployment ↓ then inflation ↑ (because people with jobs will do more shopping → increase in consumer demand → thereby increase in product prices.)

⇒ NAIRU refers to the level of unemployment below which inflation tends to rise.

अगर बेरोज़गारी का दर इस स्तर से ज़्यादा कम हो जाएगा, तो महंगाई बढ़ने लगेगी। उस बेरोज़गारी स्तर को नाइरु दर कहते हैं।

49.2.3 Long run Philip curve is vertical line

⇒ Philip's relation between Inflation and unemployment is valid only for short-term, and not the long-term.



⇒ for example consider following long term data set.

X-axis (unemployment for long run)	3%	3%	3%	3%
Y-axis (inflation for long run)	0%	4%	8%	12%

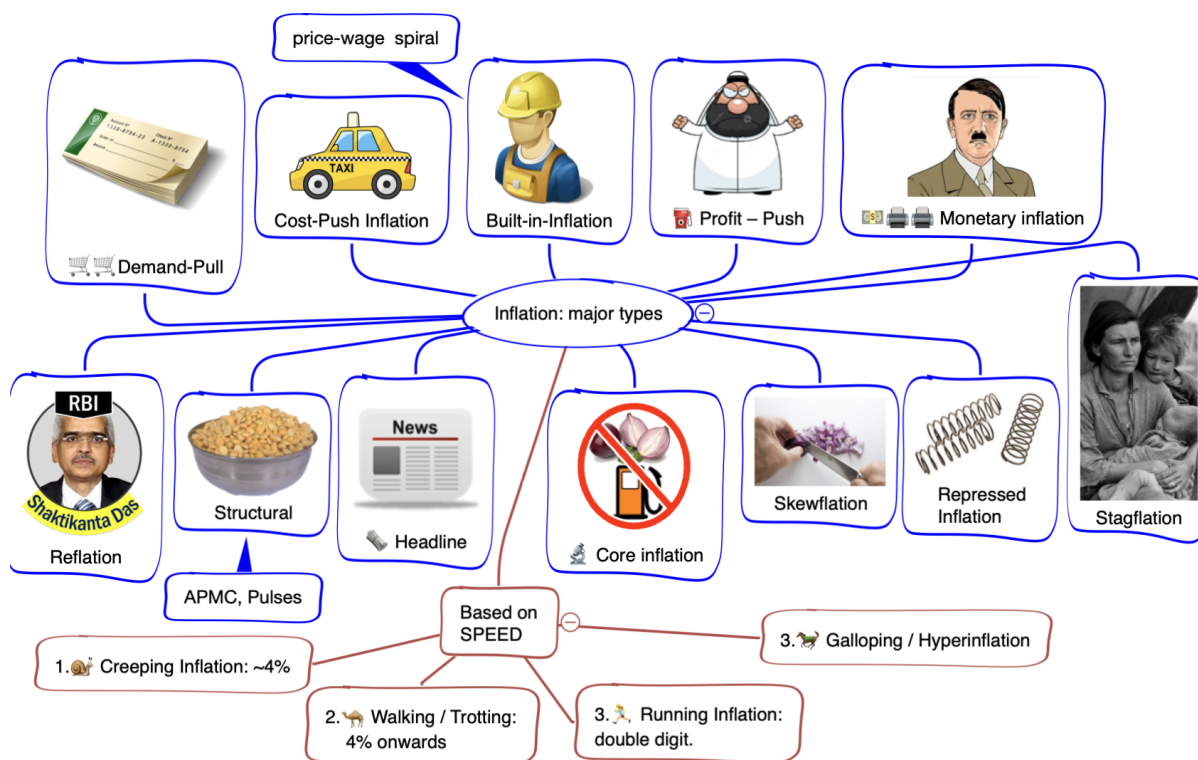
- In above data-table, unemployment is staying at 3% no matter whether inflation is 0/4/8/12.
- So The Philip curve line will become vertical.
- Meaning, in the long run, Inflation will no longer impact the unemployment. (क्योंकि हरेक देश में कुछ नल्ले अपनी नल्लेपन्ति के चलते बेरोज़गार रहेंगे ही, चाहे महंगाई चली जाए, या सरकार कोई भी योजना लेके आए।)

MCQ. Find correct about Phillips Curve? (UPSC-CDS-2016)

1. ✓ It shows the trade-off between unemployment and inflation (**right**)
2. ✓ Downward sloping curve of Phillips Curve is held to be valid **only in the short run.** (**right**)
3. In the long run, Phillips Curve is usually thought to be **horizontal** at the Non-Accelerating Inflation Rate of Unemployment (NAIRU). (**wrong, bcoz it is vertical in long run**)

Codes: (a) 2 and 3 (b) Only 1 (c) 1 and 2 (d) 1, 2 and 3

49.3 🍅 INFLATION: TYPES BASED ON CAUSATION (कारकता के अनुसार)



Demand-Pull Inflation (मांगजनित)	It's 'too much money chasing too few goods' i.e. Prices are rising because people have excess money → demand for goods and services exceeds the available supply. MNREGA, Pay Commission, PM KISAN6k/Rahul's NYAY72k/Universal Basic Income(UBI) etc. could lead to this.
Monetary inflation	When RBI printing of more money results in inflation (<i>Recall 'Monetising the deficit' from Pillar#2: FRBM Handout</i>).
Cost-Push Inflation	Price rise due to increased cost of inputs e.g.



(लागतजनित)	- Expensive crude oil → higher costs for Transport Companies. - Trade / labour unions' protests / strikes → wage hike. - Natural disasters → Lower potato / chilly production → Chips makers have to pay more for inputs.
Profit – Push Inflation	When Cartels / Monopolists / Oligopolists deliberately cut down the supply / production or hike the prices because of greed / profit motive. E.g. OPEC group oil production cut.
Built-in-Inflation	Linked to the “price/wage inflationary spiral” i.e. when inflation rises, workers demand higher wages to keep up with the cost of living → firms passing these higher labor costs on to their customers as higher prices → more inflation.
Repressed Inflation (दमित स्फीति)	During war, Govt imposes price controls and rationing to keep prices under check. But the moment such controls are withdrawn, prices will go up (because traders will want to cover up their previous losses by raising prices). This is called <i>Repressed Inflation</i> .
Stagflation	Persistent high inflation, high unemployment and low growth resulting into a stagnant economy.
Skewflation	Term to denote episodic price rise in one / small group of commodities while Inflation in the remaining goods and services remain usual. E.g. pulse / tomato / onion inflation in india.
Headline Inflation (सुर्खि)	It is the measure of the total inflation within an economy, usually presented in the form of CPI or WPI.
Core inflation (प्रमुख मुद्रास्फीति)	Headline inflation MINUS inflation in food & energy articles. Accordingly, it can be CPI (Headline) or WPI (Headline)
Reflation (पुनः मुद्रास्फीति)	In Pillar#1: Philip curve we learned that deflation → unemployment, so, RBI tries to stimulate economy by increasing the money supply, Govt tries to give ‘fiscal stimulus’ by reducing taxes / increasing public procurement.... Such actions take economy from deflationary path towards inflation path, this process is ‘Reflation’.
Structural Inflation (संरचनात्मक मुद्रास्फीति)	Inflation that is part of a particular economic system. A complete change in economic policy would be needed to get rid of it. e.g. - To keep farmers happy, Govt keeps raising MSP for wheat / rice but not so much for pulses → Farmers do not grow more pulses → shortage of pulses → inflation in pulses. - APMC reforms not taken → cartelization & hoarding → inflation. - When global crude prices falling, Govt raises Excise / VAT to get more money for their schemes, so, petrol-diesel not getting cheaper
Shrinkflation / package downsizing	- When company reduces the size of a product while maintaining its original price. e.g. Vim Soap: ₹10 for 155 gm → ₹10 for 135 gm. - 2022-23: Russia-Ukraine war → imported raw material became expensive



	(edible oil, chemicals etc) → so Indian companies doing it.
Taxflation	e.g. Increase in indirect taxes like excise duty & VAT → petrol and diesel became expensive.
Black money induced inflation	Income Tax evasion → larger disposable income → People spend such black money, lavishly → inflation e.g. real-estate prices.
Black marketing and hoarding	These greedy traders artificially reduce the supply of goods → inflation.
Credit inflation	When banks give cheap loans → higher demand → inflation.

AB CD ? MCQ. Which one of the following is likely to be the most inflationary in its effects? [इनमें से कौन सी चीज सबसे ज्यादा महंगाई पैदा करेगी] (Prelims-2021)

- Repayment of Public debt [सरकारी ऋण का भुगतान]
- Borrowing from public to finance a budget deficit [बजट घाटे का वित्त पोषण करने के लिए जनता से कर्जा]
- Borrowing from the banks to finance a budget deficit [बैंकों से कर्जा लिया]
- Creation of new money to finance a budget deficit [बजट घाटे का वित्त पोषण करने के लिए नया पैसा छपा जाए]

AB CD ? MCQ. With reference to Indian economy, demand pull-inflation can be caused/increased by which of the following? [मांग-जनित महंगाई में बढ़ोतरी कब होगी?] (Prelims-2021)

- Expansionary policies [विस्तार वादी नीतियां]
- Fiscal stimulus [राजस्व प्रोत्साहन]
- Inflation-indexing wages [महंगाई सूचकांक से जोड़े गए वेतन]
- Higher – purchasing power [खरीद शक्ति में बढ़ोतरी]
- Rising interest rates [ब्याज दरों में बढ़ोतरी]

Codes: a) 1, 2 and 4 Only b) 3, 4 and 5 Only c) 1, 2, 3 and 5 Only d) 1, 2, 3, 4 and 5

AB CD Find Correct (GPSC-2025)

- Increase in consumption expenditure resulting from increased disposable income can cause demand-pull inflation
 - Increase in the cost of production resulting from increase in wage rate can cause cost-push inflation
- Codes: (A) 1 only (B) 2 only (C) Both 1 and 2 (D) Neither 1 nor 2

49.4 🍅📈 INFLATION TYPES BASED ON SPEED / QUANTUM



- 🐌 Creeping Inflation:** ~4% per annum. It's regarded safe and essential for job creation and economic growth.
- 🐎 Walking / Trotting:** >4% onwards → **Running Inflation:** When shifts to double digit.
- 🐎 Galloping / Hyperinflation (अति स्फीति):** Very high level. 20%-100%-even 10,000% or more, as observed in Germany after Treaty of Versailles due to monetized deficit. Modern day Venezuela, Zimbabwe, Iran due to misgovernance of ruling parties resulting into broken economy &



shortage of essential commodities. Here, money becomes quite worthless and new currency may have to be introduced. (Related-topic: redenomination in Iran- deleted bcoz outdated/obscure.)

AB CD ? MCQ. Which is likely to be the most inflationary in its effect? (Asked in UPSC-Pre-2013)

- (a) Repayment of public debt (b) Borrowing from the public to finance a budget deficit
(c) Borrowing from banks to finance a budget deficit (d) Creating new money to finance a deficit

49.4.1 🏃 Runaway inflation and Runaway depreciation

“runaway” = when something increases or develops very quickly and cannot be controlled.

Term	Meaning
Runaway inflation	When prices of goods & services rise at an extremely fast and uncontrollable rate. महंगाई बहुत तेजी से बढ़ जाए.
Runaway depreciation	When local currency faces an extremely rapid and big decline in value relative to other currencies. e.g. \$ 1 = 175 Pakistani rupees (2022) to 300 Paki Rupees (2023)

49.4.2 📅 Inflation → Base Effect?

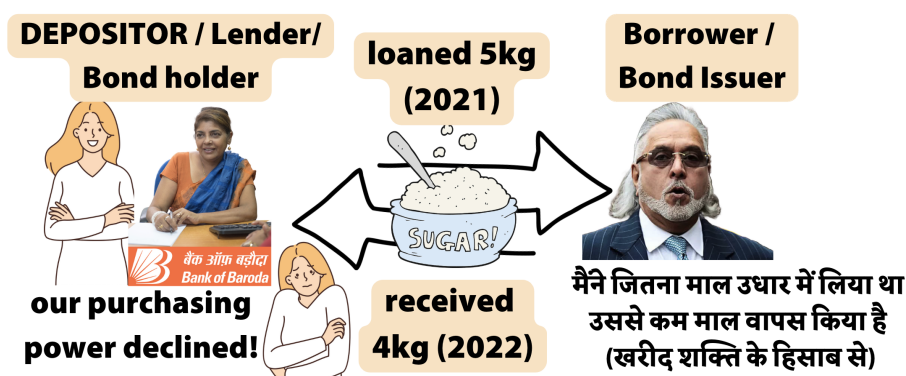
- Suppose price of 1 kg onion = 100 (2010), 110 (2011), 120 (2012). So, as such their price is increasing at the rate of ₹ 10 per year.
- However, the % rise in inflation over previous year is 10% for 2011 (110 vs 100), and 9.09% for 2012 (=120 vs 110).
- Thus, the choice of base (**denominator**) could make the inflation look too high or too low even if the price rise has been same as the same.
- 📁📁 ES21 Has given a lengthy commentary about the base effect in Corona-2020, but poor cost benefit in chasing it for exam point of view. # ⌚📖 थोड़ा-पढ़ो-आगे-बढ़ो

AB CD ? MCQ. A rapid increase in the rate of inflation is sometimes attributed to the "base effect".

What is "base effect"? (Asked in UPSC-Pre-2011)

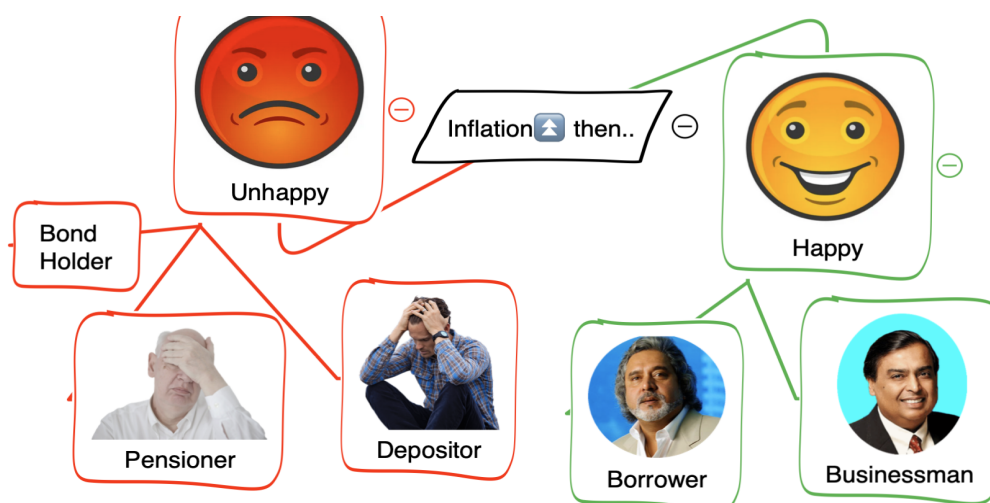
- (a) It is the impact of drastic deficiency in supply due to failure of crops
(b) It is the impact of the surge in demand due to rapid economic growth
(c) It is the impact of the price levels of previous year on the calculation of inflation rate (D) None.

49.5 🍅📈 INFLATION'S EFFECTS ON INDIVIDUALS





Effect	🍅📈 During Inflation	🍅📉 During Deflation
Businessman, Borrowers उद्योगपति और कर्जदार	They make huge profits because the price of final product is rising at a much faster speed than the price of raw materials.	They make losses because prices of final products fall faster than the cost of production → lay-off workers to cut salary bill.
Fixed Income Groups, Lenders निश्चित आमदनी वाले समूह	- Salaried individual, pensions suffer. - Lenders suffer because even if borrowed money is returned their 'real Purchasing Power' would have declined due to the fall in Real Interest Rate.	While they will benefit because the value (=purchasing power) of money will increase, but some workers / employees will lose their jobs during deflation as per the Philip Curve.
Currency exchange rate मुद्रा विनिमय दर	- Since rupee's purchasing power will ↓ , its exchange rate value will weaken against foreign currencies, as foreigners get less keen to buy from India. - E.g. if 1kg onion = ₹50 rises to 1kg = ₹100. then even if currency exchange rate moving from \$1 = ₹50 to \$1=₹70 rupee (rupee weakening)= still foreign will be able to purchase less quantity of goods from India. Then \$ supply ↓ → rupee gets weak (Ref 📄 Pillar#3A)	Reverse will happen. How? Ans. Explained in Video lecture. नहीं समझ आया तो वीडियो देखो. कुछ लोग बिना वीडियो देखे सीधा पढ़ने बैठ जाते हैं और फिर उनको समझ नहीं आता तो पूछते रहते हैं की ऐसा क्यों है? तो भाई तुम पहले वीडियो देखो.





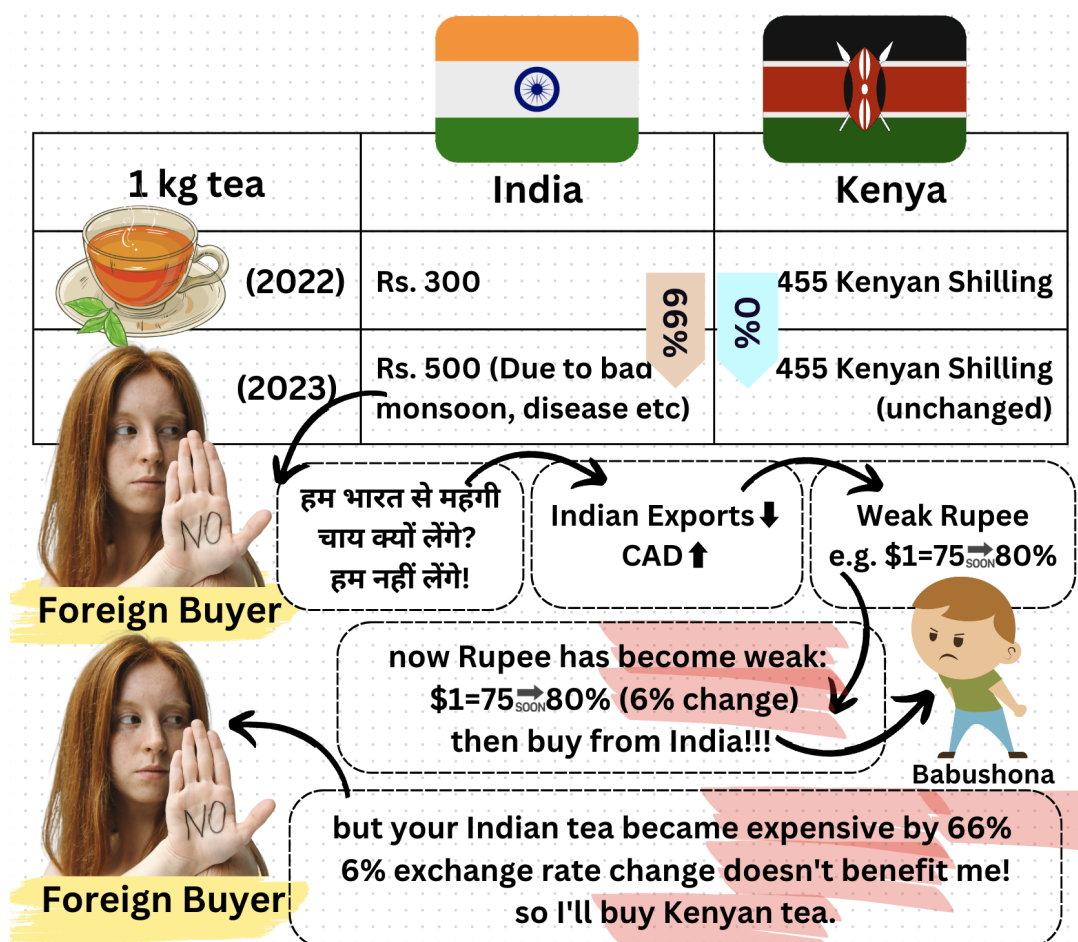
49.5.1 🍎📈🔪 Inflating away the debt by Govt/Central Bank

in the previous section, we learned that inflation helps the borrowers because they have to return less money (in terms of purchasing power)

- so if government / central bank deliberately causes more inflation (e.g. via cheap-easy money policy / quantitative easing → cheap loans → more demand → inflation)
- then govt will have to return less money to lenders (in terms of purchasing power) → such practice is called “Inflating away the debt”
- Critiques allege that USA was doing this through its “Quantitative Easing policy”.

जब सरकार या केंद्रीय बैंक जानबूझकर महंगाई उत्पन्न करें ताकि कर्ज देने वालों को (खरीद शक्ति के हिसाब से) कम पैसा चुकाना पड़े

49.5.2 🍎📈🚢 Inflation impact on exports



Above chart requires knowledge of pillar3AB. So finish backlog, if you're unable to understand.

MCQ. Which is/are the effects of devaluation or depreciation of currency? (CDS-2023-II)

- It leads to increase in imports and decrease in exports.
- It leads to increase in exports and decrease in imports.
- It leads to increase in domestic inflation.
- It leads to decrease in domestic inflation.

Codes: (a) 1 and 3 only

(b) 1 and 4 only

(c) 2 and 3 only

(d) 3 only

As per Economic Survey data, answer should be “D” - But as per UPSC official answer key says “C”.



- My thoughts are given in this video <https://youtu.be/kxXZnaef7EM?si=YPEOouIfAP1cIrVm>

49.6 🍅📈📊 PILLAR#4: INDICES: CPI, WPI, IIP & OTHERS

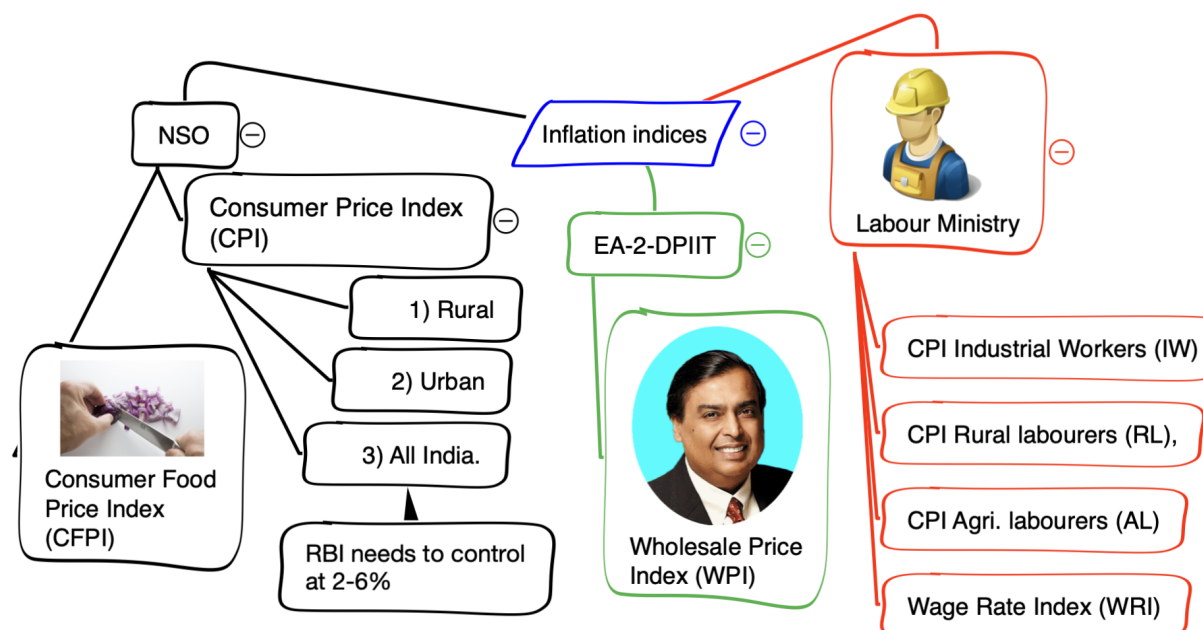
Laspeyres	German economist Etienne Laspeyres formula is used in calculation of WPI, CPI and IIP index. It is a weighted arithmetic mean (average) of a basket of commodities that tracks price / production level against the base year. Formula NOTIMP. then inflation growth is calculated on year-on-year basis than previous year.
Paasche Index	German economist Hermann Paasche's index tells us what today's "Basket" of commodities, would have cost @base year's price.
Fisher Index	American Economist Irving Fisher's index is the Geometric mean of (Laspeyres and Passche), to give a more accurate picture.

AB CD !? MCQ. Find correct? (CDS-2024-1)

1. A price index captures the change in the average price of a constant basket of commodities.
2. If the price index takes values 100, 110 and 121 in three consecutive years respectively, then the inflation rates in the 2nd and 3rd years are 10% and 21% respectively.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

49.7 🍅📈📊 INDEX → INFLATION INDICES



Inflation Index	By	Base year
Consumer Price Index: 1) Rural 2) Urban 3) All India. उपभोक्ता मूल्य सूचकांक	NSO, MoSPI	2012 → new 2024
Consumer Food Price Index (CFPI) उपभोक्ता खाद्य मूल्य सूचकांक		2012 → new 2024



Inflation Index	By	Base year
CPI Industrial Workers (IW)	Labour Ministry's Labour Bureau @Shimla	2016
CPI Rural labourers (RL), Agri. labourers (AL)		1986##
Wage Rate Index (WRI)		2016
Wholesale Price Index (WPI) थोक मूल्य सूचकांक	Economic Advisor to DPIIT, Commerce Min.	2011 → plan to change to 2022**

**WPI base year change ke liye Prof. Ramesh Chand committee setup, Report is awaited (2025-Oct)

49.7.1 🍎📊👤 Wage Rate Index (WRI: वेतन दर सूचकांक) – calculation reforms in 2021

- prepared by Labour Bureau, an attached office of the Ministry of Labour.
- It surveys/monitors the wages across various industries.

🤖 Before	👑 Reforms in 2021
Base year 1963-65.	Base year 2016
Less number of industries surveyed	Added more number of industry in the survey list- e.g. synthetic textiles, textile garments, printing and publishing, footwear, petroleum, chemical & gases, fertilizers, drugs & medicines

- Utility of WRI? This database will be helpful in designing the minimum wages under the new wage code law. (वेतन दर सूचकांक जिसमें श्रम मंत्रालय कि ऑफिस द्वारा विविध उद्योगों में वेतन का क्या दर चल रहा है उसका सर्वेक्षण किया जाए और उस हिसाब से न्यूनतम वेतन की दरों में सुधार किया जाए।)

AB CD ? MCQ. Which of the following brings out the CPI for Industrial Workers? (UPSC-Pre-2015)

- (a) The Reserve Bank of India (b) The Department of Economic Affairs
(c) The Labour Bureau (d) The Department of Personnel and Training

AB CD ? MCQ. Indexation is a method can be associated with ____? (CDS2019)

- (a) Controlling inflation (b) Nominal GDP estimation
(c) Measurement of savings rate (d) Fixing of wage compensation

49.7.2 🍎📊📈 Index → Inflation → CPI (All India), NSO,

Monthly CPI Components in (All India) Index → (decreasing order)	Wt.
Food & Beverages	45.86
Services: (Transport & communication > Health > Education > Recreation)	20.62
Housing	10.07
Fuel & Light	6.84
Clothing / footwear	6.53
Misc. Personal care (soap etc)	3.89
Household goods & Services	3.80
Pan Masala, Tobacco, Intoxicants	2.38



Monthly CPI Components in (All India) Index → (decreasing order)	Wt.
Total Weight	100

- For Individual CPI for Urban and Rural areas, these weights are assigned differently. E.g. CPI rural has zero weight to housing & 54.18 weight to food and beverages.

49.7.3 🍅📈 Inflation rate %: how is it calculated?

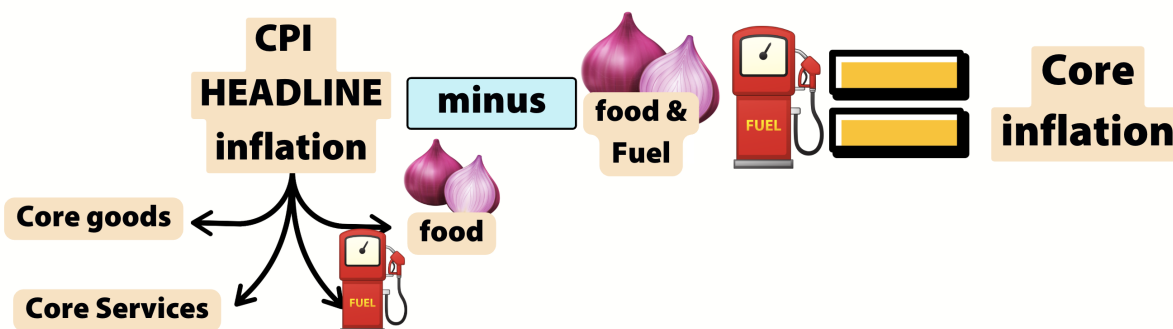
Index value of Headline CPI (All India) was 148.6 (2019-Nov) and 140.8 (2018-Nov). Therefore,

$$\text{CPI Inflation Rate (Nov 2019)} = \left(\frac{\text{Current Month} - \text{Same month last year}}{\text{Same month last year}} \right) * 100 = \left(\frac{148.6 - 140.8}{140.8} \right) * 100 = 5.54 \%$$

यानि की Nov-2019 में मंहगाई पिछले साल की तुलना में 5.54% बढ़ी है.

- ⇒ **Trend?** CPI was towards Inflationary path in UPA/Manmohan era. → CPI was towards Deflationary path during Modi 1.0 era (2014-19)- mainly due to falling food prices. Food commands ~46% weight in CPI calculation. (📄 Ref: 4A: Agro Handout)
- ⇒ Modi 2.0 era (2019-May onwards): back to inflationary path due to oil, onion etc.

49.7.4 🍅📈 Headline vs Core CPI?



- **Headline CPI** (सुर्खि मुद्रास्फ़िति) = The inflation figure arrived based on all of the above components of CPI (All India).
- **Core CPI** (प्रमुख मुद्रा स्फ़िति) = Headline CPI MINUS (inflation in food & energy)

AB CD MCQ. Retail core inflation is calculated excluding which of the following? (CAPF-2024)

- 1) Food and beverages
- 2) Fuel and light
- 3) Transport and communication
- 4) Clothing and Education

Codes: (a) 1 and 2 only (b) 1, 2 and 3 only (c) 1, 2, 3 and 4 (d) 3 and 4 only

AB CD MCQ. While calculating the CPI, the 'housing' as an item is classified as: (CDS-2024-1)

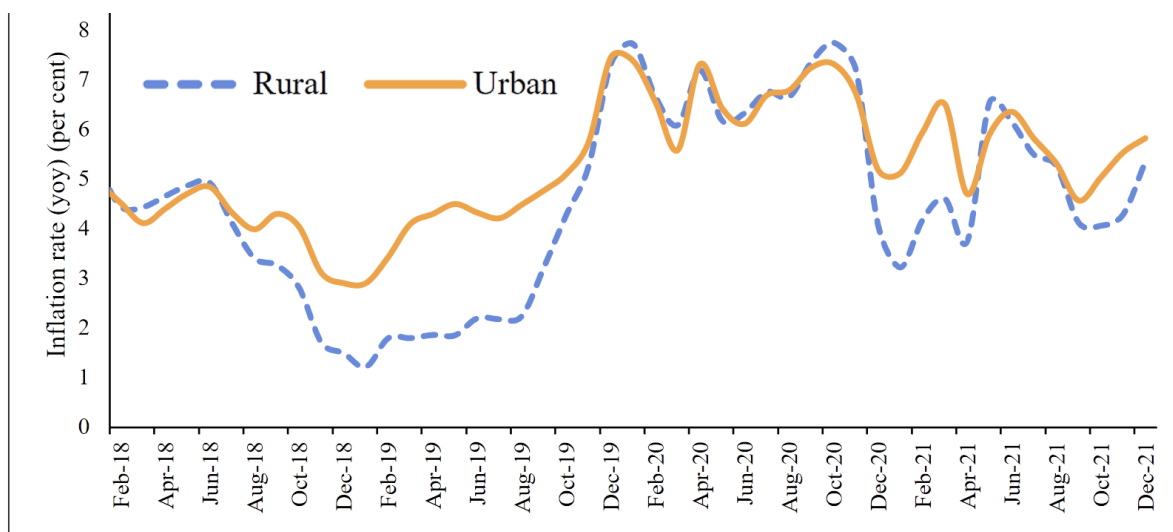
- (a) Core consumer durable
- (b) Core consumer non-durable
- (c) Core capital goods
- ✅ (d) Core service

49.7.5 🍅📈 “Refined Core Inflation”?- faded topic from es22 so deleting.

faded topic from es22 so deleting.

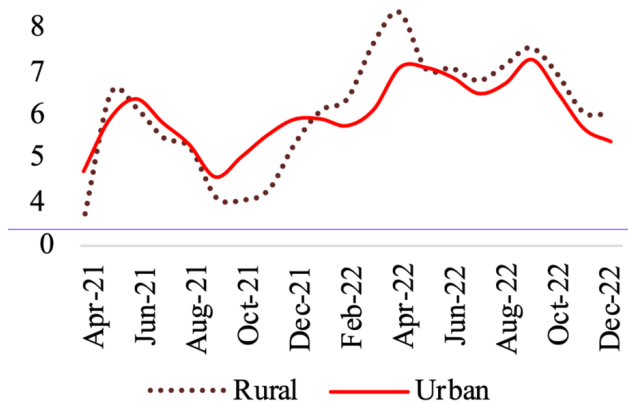


49.7.6 🍅📈📊 CPI Inflation is higher in urban areas than rural area (2021)



1. Housing prices are counted in the urban area's CPI calculation, but not in rural area. ग्रामीण इलाकों की महंगाई गिनती में मकानों के दाम नहीं गिने जाते.
2. Fuel & light component, Clothing and footwear component = These have higher weightage in urban areas' CPI than in rural areas. शहरी इलाकों की महंगाई की गिनती में ऊर्जा, प्रकाश, कपड़े जूतों की कीमतों को ग्रामीण सीपीआई के मुकाबले ज्यादा वजन दिया जाता है.

49.7.7 CPI rural getting higher than urban (2022)



- ⇒ Rural inflation has remained above its urban inflation 2022- said 📊ES23.
- ⇒ reason: Parts of rural Assam, Manipur etc faced more inflation in food, fuel and clothing. So when we take all India average of all rural areas, it looks high.

🍅📈📊 🐱 Inflation targeting by RBI- focus on Core CPI or Headline CPI?

- ⇒ At present the RBI act requires the central bank to control the inflation between 2 to 6% (Headline) CPI (All India combined) “केंद्रीय बैंक ने महंगाई को उपभोक्ता मूल्य सूचकांक के हिसाब से 2-6% में नियंत्रित/काबू में रखना है” - ऐसा RBI क़ानून में लिखा है (More in 📄Pillar#1A2)



⇒ However, Some experts say that instead of headline CPI, RBI should target the core inflation i.e. CPI minus fuel & food. कुछ विशेषज्ञ कहते हैं कि रिजर्व बैंक ने केवल मूल/बुनियादी महंगाई पर ही ध्यान देना चाहिए, तथा खाद्य महंगाई और ऊर्जा महंगाई को नजरअंदाज करना चाहिए.

⇒ This is because food and fuel price shocks are transitory, mainly supply driven and therefore can't be controlled by RBI's monetary policy tools. क्योंकि वह (खाद्य और कच्चा तेल) महंगाई तो ज्यादातर आपूर्ति पर आधारित हैं, और रिजर्व बैंक की मौद्रिक नीति के साधनों से नियंत्रित नहीं हो सकती.

ES21 says above argument may be correct for first world, but not for third world because (हालांकि यह दलील प्रथम विश्व में सत्य हो सकती है किंतु तीसरे विश्व में नहीं क्योंकि:)

- ⇒ 1) **Consumption smoothing** is difficult for many Indians i.e. Striking a good balance between their spending and saving. Because they do not have a steady source of income / permanent job, agriculture monsoon uncertainty, lack of life/health/crop/cattle insurance, lack of financial planning/financial inclusion etc. So, food inflation hurts them the most & RBI can't turn blind eye to their welfare/plight. (ज्यादातर भारतीय अपने खर्च और बचत में सुचारिता हासिल नहीं कर पाते क्योंकि आमदनी के स्थायी साधन नहीं, बारिश पर कृषि निर्भर, बीमा लेने में उदासीनता, वित्तीय समावेशन / आर्थिक आयोजन की कमी. इसलिए खाद्य महंगाई उन्हें बहुत परेशान करती है और रिजर्व बैंक उनके कल्याण/परेशानी को नजरअंदाज नहीं कर सकती)
- ⇒ 2) In poor families' household expenditure- food cost occupies a high share. food prices very volatile in India. (गरीब परिवारों के घरेलू खर्च में खाद्य एक बड़ा हिस्सा है, भारत में खाद्य चीजों के दाम काफी अस्थिर रहते हैं)

Food item	its price changes in India within how many months?
Vegetable	Twice a month (हर 1 महीने 2 बार सब्जियों के दाम में बदलाव आ जाता है)
Pulses	Thrice every 2 months (हर 2 महीने में 3 बार दाल के दाम बदल जाते हैं)
Cereal	Every 3.5 months
Milk	Every 5 months

So, if RBI totally neglects the food inflation and focuses only on the CPI Core inflation, It will not be in the best interest of the Indian citizens. So ES21 suggestion:

1. RBI should focus on more core inflation. And separately look at food inflation data. In other words, RBI should ignore fuel inflation! (रिजर्व बैंक ने प्रमुख/मूल/बुनियादी मुद्रास्फीति पर ज्यादा ध्यान देना चाहिए लेकिन साथ ही साथ खाद्य महंगाई का भी ख्याल रखना चाहिए.)
2. CPI base year 2012. CPI gives very high weightage to the food. But people's food habits have undergone changes between 2011-2020 so, Index components need to be updated. (पिछले एक दशक में लोगों की भोजन आदतों में काफी बदलाव आया है इसलिए उपभोक्ता मूल्य सूचकांक में सुधार की आवश्यकता)
3. Number of e-commerce transactions ↑ . So, CPI price survey data should also capture E-Commerce websites prices as well. (ऑनलाइन खरीद मूल्यों को भी महंगाई सर्वेक्षण में शामिल किया जाए)

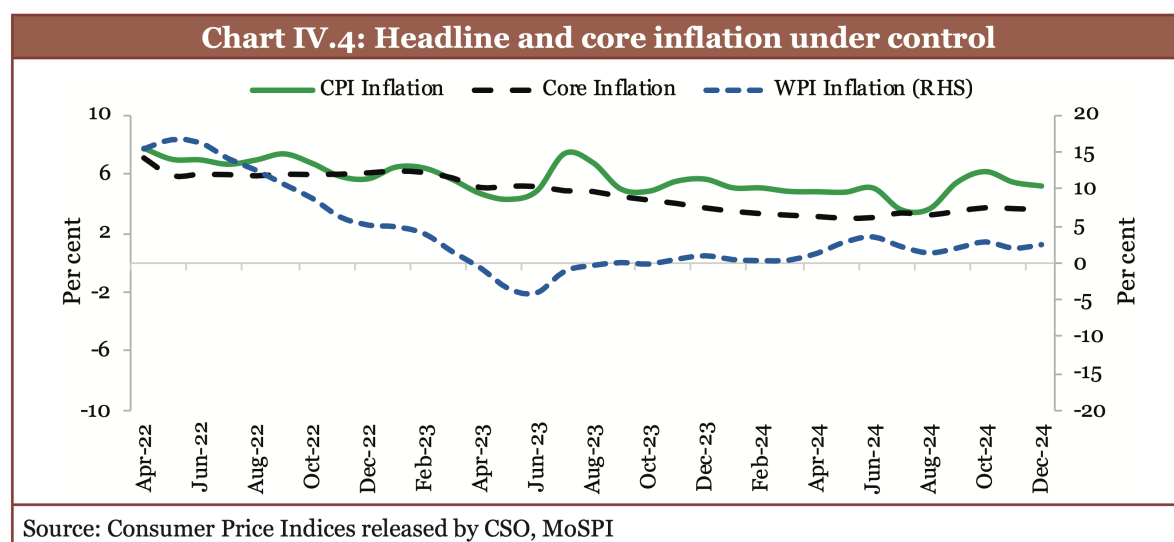
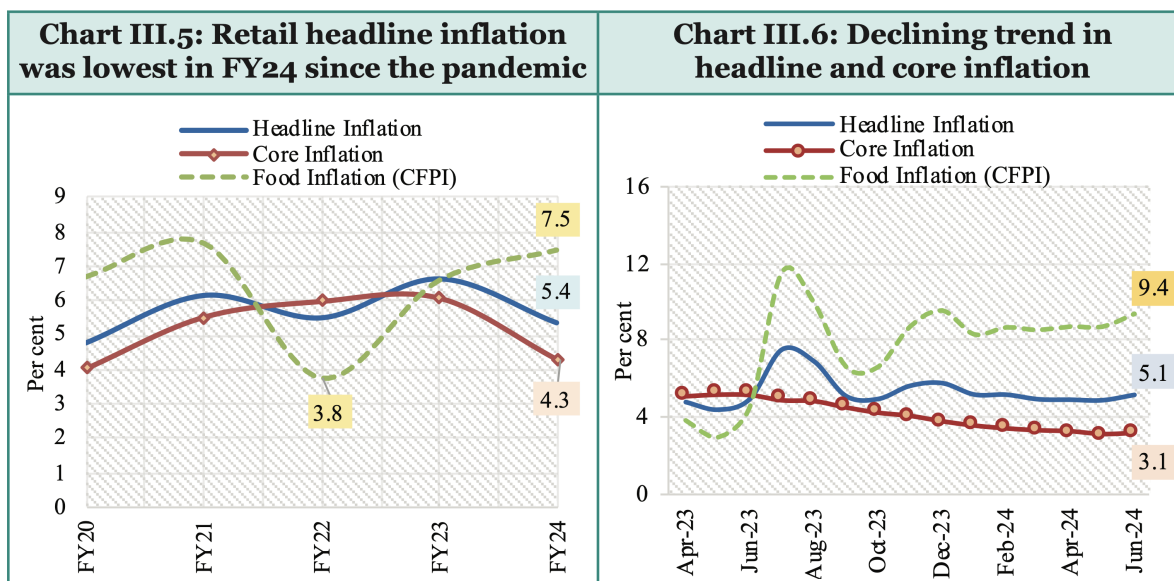
49.7.8 🍎📈 Index → Consumer Food Price Index (CFPI: उपभोक्ता खाद्य महंगाई सूचकांक)

⇒ NSO's CFPI is prepared from the datasets collected in above CPI-survey.

⇒ ✅ CFPI includes: Cereals, Meat, fish egg, Milk, Oils, fats, Fruits, Vegetables, Pulses, Sugar & Confectionery, Spices.



- ⇒ 🖐️ CFPI doesn't include: Non-alcoholic beverages, Prepared meals, snacks, sweets, Pan, tobacco and intoxicants (खाद्य महंगाई दर में इनको नहीं गिनते)
- ⇒ What was the Food inflation scene in Corona? Ans Ref Pillar4A- Agriculture



49.7.9 🍎📊 Index → Inflation → Wholesale Price Index by EA-DPIIT

Monthly WPI Components in descending order→	Wt.
Manufactured products: Processed Food, Edible Oil, Paper Products, Chemicals, Plastic, Cement, Metal Products, Transport Equipments etc.	~64%
Primary Articles: A. (Unprocessed) food articles, eggs, meat-fishes, oil seeds etc. (~19%) B. Crude Petroleum (~2%) C. Minerals (~0.8%)	~23%
Fuel & Power: High Speed Diesel (HSD) > Petrol > LPG	~13%
Total	100%

AB CD !? MCQ. Find correct abt weightage of different articles in WPI: (CDS-2024-1)

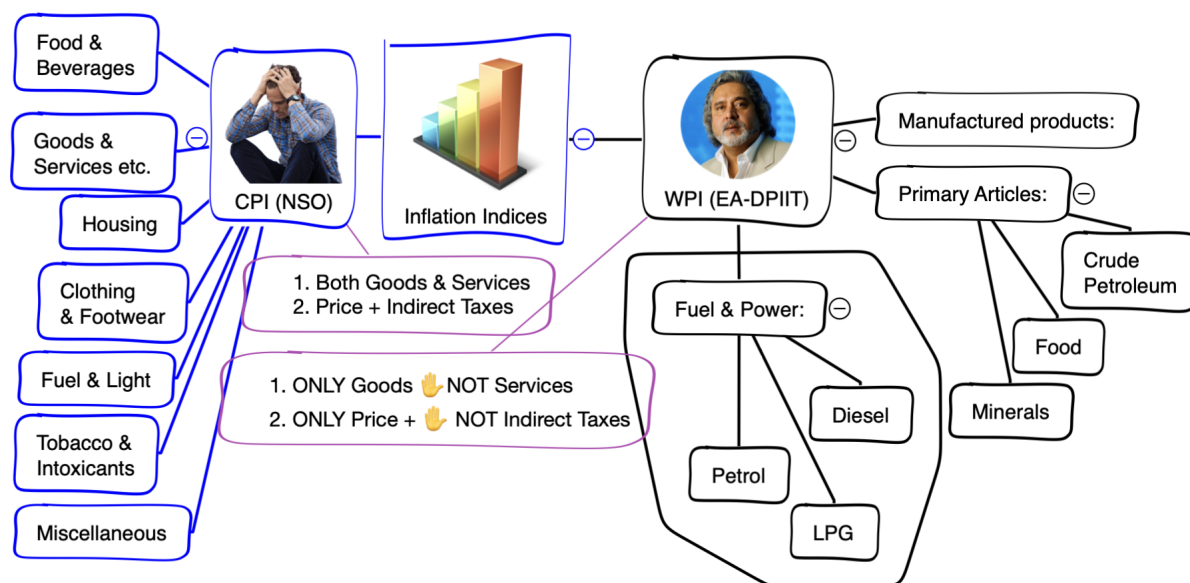


1. Fuel and power have higher weightage in WPI than that of primary articles.
2. Weightage of manufactured products in WPI is higher than that of fuel and power.

Codes: (a) 1 only

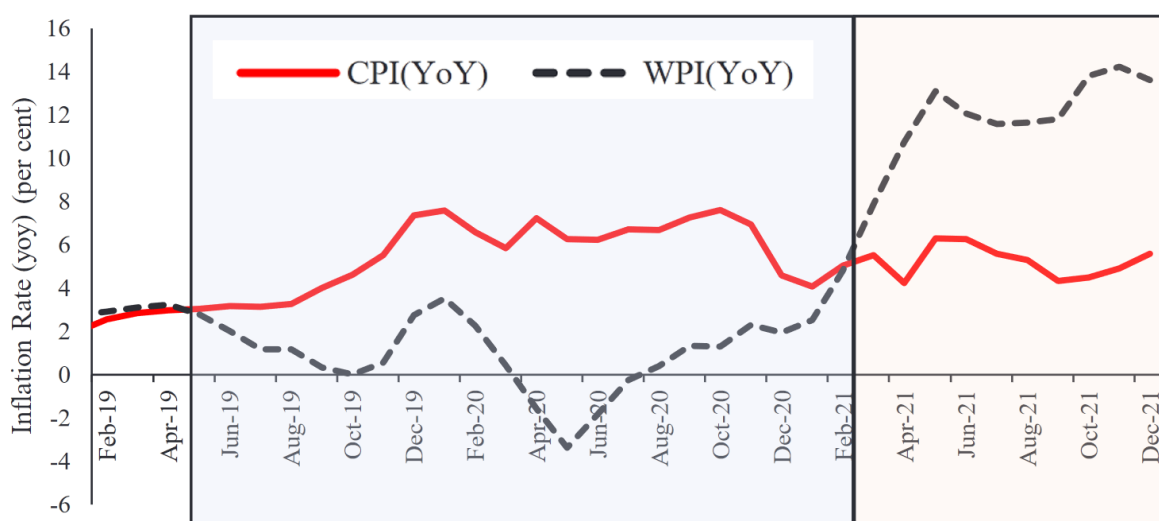
(b) 2 only (c) Both 1 and 2

(d) Neither 1 nor 2



49.7.10 CPI WPI Divergence

⇒ **April-July 2020** : WPI inflation in the negative figure, while CPI-C inflation more than 6% (also known as “**Divergence between WPI and CPI**”) as because



- ⇒ CPI monitors price+ (indirect taxes) on it. Whereas WPI ignores taxes.
- ⇒ CPI gives higher weightage to Food than WPI [उपभोक्ता सूचकांक में खाद्य पदार्थों को ज्यादा वजन दिया जाता है]
- ⇒ 2021: WPI ↑ from (4.83% Feb) → (7.39% Mar) → (10.49% April:). Why?
- ⇒ global commodity prices ↑ due to vaccination & revival in USA/EU (अमेरिका यूरोप में टीकाकरण)
- ⇒ ↑ costs in the production and distribution = wholesale prices increased. (उत्पादन तथा वितरण की लागत खर्च में बढ़ोतरी)



⇒ labour shortages by reverse migration & social distancing in factories (प्रवासी मज़दूरों की वतन वापसी, सामाजिक दूरी नियमों के चलते उत्पादन में बाधाएँ)

49.7.11 📅 WPI Base year Change from 2011-to-2022 ke liye Prof. Ramesh Chand committee

Commerce Ministry has setup Prof. Ramesh Chand committee to change WPI base year from 2011 to 2022, and update its basket of commodities. But report is likely to come in 2026.

AB CD ? MCQ. Find correct statement(s) (UPSC-Prelims-2020)

1. The weightage of food in CPI is higher than that in Wholesale Price Index (WPI).
2. The WPI does not capture changes in the prices of services, which CPI does.
3. RBI has adopted WPI as its key measure of inflation and to decide on the key policy rates.

Codes: [a] 1 and 2 only [b] 2 only [c] 3 only 4, [d] 1, 2 and 3

AB CD ? MCQ. Which goods are included to estimate food inflation in India? (UPSC-CAPF-2020)

1. Wheat 2. Paddy 3. Tobacco 4. Sugar.

Codes: (a) 1, 2 and 3 (b) 2, 3 and 4 (c) 1, 3 & 4 (d) 1, 2 & 4

AB CD ? MCQ. WPI has increased in India during 2021 - 2022. WHY? (CDS-2023-II)

1. Sharp increase in international prices of crude oil 2. Decrease in economic activity post-Covid
3. Disruption of global supply chain 4. High freight cost

Codes: (a) 2 and 3 only (b) 1, 3 and 4 (c) 1 and 2 only (d) 1 and 4 only

49.7.12 🍎📈 Index → Inflation → Other Indices

Index	Features
Producer's Price Index (PPI: उत्पादक मूल्य सूचकांक)	- WPI covers only goods but not services. - Whereas, PPI covers both goods and services. It measures price change from sellers' perspective. OECD nations use PPI to measure inflation @wholesale level. Their PPI only measures price (and not PRICE + Taxes). - 2014: Commerce Ministry setup Dr. B.N.Goldar Committee (2014) and Prof. Prof. Ramesh Chand committee (2025) to explore this.
Experimental Service Price Index	EA to DPIIT preparing these experimental indices separately for Railway Services, Port Services, Air Services, Postal Services, Telecom Services, Banking Services, Insurance,
Banking Business Service Price by RBI.	It measures the inflation in the fees charged by Banks for NEFT-RTGS, Mobile Banking, Card Transactions, Issuing Demand Drafts / Bank Guarantee, annual fees for opening DEMAT account etc. [Base Year 2011]
Inflation Expectation Survey for households	RBI quarterly survey of ~5k households across 18 cities, asking them what is their 'expected level' of inflation for next 3 months and 1 year.
Business Inflation Expectations Survey	by Indian Institute of Management (IIM) Ahmedabad

49.7.13 🏠 Housing inflation

Organization	Indicator for monitoring housing prices
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National Housing Bank (NHB)	⇒ RESIDEX to monitor residential house prices in selected Indian cities against base year 2017. It is also labelled as Housing Price Index (HPI) ⇒ Separately, NHB also publishes inflation in Land Price, Building Materials & Housing Rental.
RBI	Home Price Index

Home prices ↑↑ bcoz: 1) Corona Atma Nirbhar → RBI made loans cheap to revive economy → home demand increased for 'investment' purpose. 2) recall Cantillon effect in pillar1A2.

49.7.14 📊📈📉 Thalonomics by 📖📖 ES20: Vol1Ch11

Thalinomics is a concept to estimate how much ₹ a common person pays for a Thali (platter of food) across India? भोजन एक थाली पर व्यक्ति कितना भुगतान करता है?

⇒ Between 2015 to 2018, the Thali price has reduced: 1) Across all regions of India 2) for both veg and non-veg thalis. पूरे भारत में शाकाहारी और मांसाहारी थाली के मूल्य में गिरावट

⇒ While Thali prices reduced between 2015-18, they have increased in 2019.

⇒ But overall, thali affordability has ↑ for poor families. गरीबों के लिए सस्ती / किफायती / वहनीय हुई है

⇒ Consequently, a family of five people is able to save >₹10,000/per year because of reduced prices.

Then, 📖📖 ES20 appreciated various Modi schemes for 1) increasing food production and 2)

making food more affordable. (we've learned those schemes in 📖 Pillar#4A)

June to Dec 2020	Urban: most expensive	Urban: cheapest	Rural: most expensive	Rural: cheapest
Veg. thali (शाकाहारी)	Andaman & Nicobar ₹40	Madhya Pradesh ₹24	Andaman & Nicobar ₹39	Uttar Pradesh ₹23
Non veg thali	Mizoram ₹52	Haryana ₹28	Arunachal ₹49	Chandigarh ₹30

👉 While above trend is not important for the scope of MCQs, but think for interviews- Even though Thali is cheapest in Uttar Pradesh (rural) and Madhya Pradesh (Urban) Then why is there malnutrition in these States? [अगर इन राज्यों में थाली इतनी सस्ती है तो कुपोषण क्यों है? इस प्रकार कि राज्य आधारित UPSC इंटरव्यू प्रश्न के लिए सोच विचार करें]

49.7.15 Inflation in other countries

📖📖 ES24 : Inflation in India remained under moderate level compared to many other nations.

49.8 🛠️📈📉 INDEX → PRODUCTION → INDEX OF INDUSTRIAL PRODUCTION (IIP)

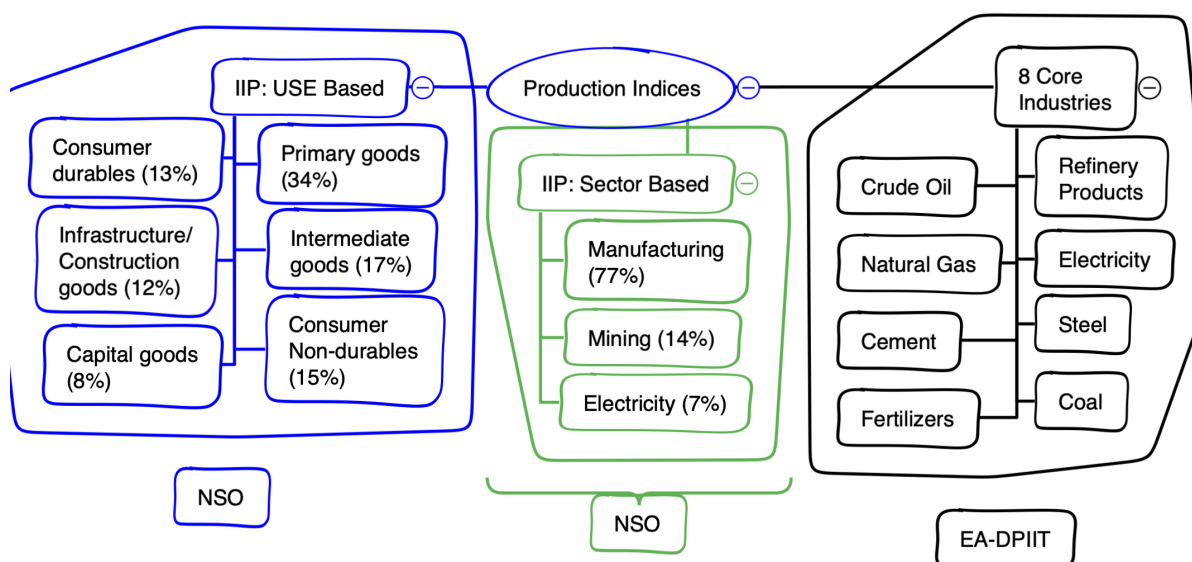
is a monthly index prepared by NSO, Base Year 2011 (later changed to 2022). Uses Laspeyres Formula. IIP measures production of 407 item groups related to following type of goods):

🎓 **Note:** % shows the weights assigned to them in IIP formula: (औद्योगिक उत्पादन सूचकांक)

➤ **Primary goods** (34% प्राथमिक वस्तु): directly obtained from natural sources e.g. Ores, Minerals, Crude Oil; energy goods -Petrol, Diesel, Electricity (Both **Renewable and Non-Renewable**).



- **Capital goods (8% पूँजीगत सामान):** Plants & machinery used for further production e.g. Boilers, Air & Gas Compressors, Engines, Transformers, Commercial Vehicles etc.
- **Infrastructure/ construction goods (12% बुनियादी ढांचागत/निर्माण वस्तु):** e.g. paints, cement, cables, bricks and tiles, rail materials, etc.
- **Intermediate goods (17% बुनियादी ढांचागत/निर्माण वस्तु):** which goes as input in production e.g. Cotton yarn, Plywood, Steel Tubes/ Pipes, Fasteners, etc.
- **Consumer durables (13% टिकाऊ उपभोक्ता सामान):** Products directly used by consumers and having a longer durability (2 years or more). E.g. Pressure Cooker, TV, AC, Tyres, Telephone, Mobile, Cars, Motorcycles, Scooters, Jewellery etc.
- **Consumer non-durables (15% गैर-टिकाऊ):** Products that are directly used by consumers and can't be preserved for long periods. e.g.: Soyabean Oil, Milk Powder, Maida, Rice, Biscuits, Sugar, Tea, Cigarettes etc.



MCQ. In use-based classification of IIP, the maximum weight is assigned to __ (CDS-2020-ii)

- (a) primary goods (b) intermediate goods (c) consumer durables (d) consumer non-durables

49.8.1 IIP's weights in ascending order (classification: use based)

Capital goods (8%), Infrastructure/Construction goods (12%), Consumer durables (13%), Consumer Non-durables (15%), Intermediate goods (17%), Primary goods (34%)

49.8.2 IIP's weights in (sector-based)

Sector	Weight(%)	Item groups
Mining	14.373	1
Manufacturing	77.633	405
Electricity	7.994	1
Total	100	407

49.8.3 IIP trend

⇒ 2020: The IIP growth started falling immediately after the Corona lockdown reaching its historical low in April-2020. Then it began recovering in the subsequent months.



⇒ 2021-March: IIP ↑ ↑ to 22%, but mostly due to low base effect.

⇒ 📊 ES24: IIP indicators are improving at a healthy pace. (स्वस्थ रूप से बढ़ रहे हैं)

49.9 🛠️📈 INDEX → PRODUCTION → INDEX OF EIGHT CORE INDUSTRIES

Prepared by EA-DPIIT, Base Year 2011, It's similar to IIP index focusing 8 core industries

- Refinery Products > Electricity > Steel > Coal > Crude Oil > Natural Gas > Cement > Fertilizers.
(Arranged in the descending order of weight).
- Collectively, these 8 industries command 40.27% weight in the overall IIP.

📌 MCQ. In the 'Index of Eight Core Industries', which is given highest weight? (Pre-2015)

(a) Coal production (b) Electricity generation (c) Fertilizer production (d) Steel production

📌 MCQ. Which are among the 8 Core Industries of IIP? (Asked in UPSC-Pre-2012)

1. Cement 2. Fertilizers 3. Natural Gas 4. Refinery products 5. Textiles

Answer Codes: (a) 1 and 5 only (b) 2, 3 and 4 only (c) 1, 2, 3 and 4 only (d) 1, 2, 3, 4 and 5

49.10 🛠️📈 INDEX → PRODUCTION → MISC. INDICES

Indices	Features
Annual Survey of Industries (ASI) उद्योगों का वार्षिक सर्वेक्षण	➤ By NSO, covering all registered units under factories act, and electricity companies. ➤ NOT Surveyed: Defense Factories, Oil-gas Storage, Restaurants, Hotels, Café, Computer Services, Departmental Units such as Railway Workshops, Govt. Mints, Sanitary, Water Supply, etc.
ASSSE for service enterprises (2026 onwards)	➤ Annual Survey of Industries (ASI) covers mfg, but, it doesn't cover service enterprises. ➤ So MoSPI planning to start a separate Annual Survey of Service Sector Enterprises (ASSSE) in 2026.
ASUSE by NSO	➤ - Annual Survey of Unincorporated Sector Enterprises (ASUSE) ➤ - is a survey of unincorporated non-agricultural establishments belonging to three sectors viz., Mfg, Trade, Other Services.
Index of Service Production (ISP)	Because IIP & ASI only cover manufactured items & electricity, so, NSO working on (Experimental) Index of Service Production covering Banking, Insurance, Education, Telecom and transport.
Services Business Activity Index	⇒ Also known as Services Purchasing Managers' Index. It's done by A private sector company IHS Markit India. mentioned in 📊 ES21.
RBI's OBICUS	➤ Order Books, Inventories and Capacity Utilization Survey. ➤ Quarterly survey to assess consumption & investment demand.



Indices	Features
Economic Health Indices by Commercial Banks	➤ HSBC's Purchasing Manager Index (PMI) : by surveying 400+ companies senior executives. ➤ SBI's Composite Index based on its loan portfolio, inflation, consumer spending etc. Such indices have scale of 0-100 points. Above 50 means economic growth, below 50 means contraction compared to previous period.
Economic Census	➤ - Boss? MoSPI - Provides info on all economic establishments of the country, location, ownership pattern, persons employed, etc. ➤ - 7th Economic Census done in 2019-21. 8th Census is yet to be done (2025-Oct).
Baltic Dry Index	London's Baltic Exchange measures the cost to transport raw material by sea. If ↑ → world economy is growing, and vice versa. Post-Subprime crisis fell, then rose from 2016-18, then again falling in 2018 due to protectionism. (समुद्र के रास्ते कच्चे माल का अंतरराष्ट्रीय परिवहन करने की लागतखर्च)

49.10.1 🛒👨👩👧👦 HOUSEHOLD CONSUMPTION EXPENDITURE SURVEY 2022-23

- Boss? NSO under MOSPI, released in 2024-Feb.
- It covers Monthly Per Capita Consumption Expenditure (MPCE) from Aug'22 to July 2023.

49.10.2 🛒👨👩👧👦 MPCE without imputation (बिना सरकारी सहायता के परिवार का उपभोग खर्च)

without imputation	At Current Prices		At 2011-12 prices	
Period	Rural	Urban	Rural	Urban
2022-23	3,773	6,459	2,008	3,510
2009-10	1,054	1,984	1,238	2,359

49.10.3 🛒👨👩👧👦 + 🧑🧒 MPCE with imputation (सरकारी सहायता को जोड़-कर परिवार का उपभोग खर्च)

- imputation = counts the 'notional' expenditure from
- (i) home-grown/home-produced stock
- (ii) gifts, loans, barter; and government transfers (e.g. free laptop / free school uniform etc.)

with imputation	At Current Prices		At 2011-12 prices	
Period	Rural	Urban	Rural	Urban
2022-23	3,860	6,521	2,054	3,544
2009-10	1,054	1,984	1,238	2,359

49.11 🚗 HIGH FREQUENCY INDICATORS (HFIs)-

High-frequency indicators (HFIs) refer to economic data that are released more frequently and provide more up-to-date information about the current state of the economy compared to traditional (Slow moving) economic indicators (e.g. Annual GDP).

Slow moving indicator	High-frequency indicators (HFIs)
-----------------------	----------------------------------



Slow moving indicator धीमी गति से प्रकाशित होने वाले संकेतक	High-frequency indicators (HFIs) उच्च तीव्रता वाले संकेतक
धीमी गति से प्रकाशित होने वाले संकेतक	उच्च तीव्रता वाले संकेतक
- e.g. GDP → subtopic GVA: Agriculture growth is down. - But this is 'post-mortem' after murder. This does not help prevent the murder.	- e.g. Monthly Tractor Sales down. Reasons could be → A) farmer distress / crop failure and/or B) Bank loan issue. - So if these problems are addressed in time, it can help preventing the falling agriculture production.

49.11.1 🚗 📊 HFI Examples from Economic Survey 2021-22

AREA	examples of HFI
Inflation	Retail Inflation (CPI)
Financial indicators	UPI and ATM Transactions; Currency in circulation, money supply, Equity market (SENSEX, NIFTY), Bond Yield of G-Sec(10 years maturity) (Ref#1C)
Taxation	Monthly GST and E-way bills data
Rural/Agro	Arrival of onion and tomato in APMC Mandi, Domestic Tractor Sales, MNREGA work generated and demanded (Ref Pill6)
Production	IIP, Monthly Power Consumption, Vehicle Sales
Transport	Traffic- railway, port, airways; Road Toll collection
Global Trade/Investment	FDI and FPI, Crude Oil prices, Non-oil import and exports, Baltic dry index, Currency exchange rate, foreign exchange reserve.

49.11.2 🚗 📊 🚧 HFI: Pros and Cons

✅ Pros	🚧 Cons
HFI help the policy-makers to pick up useful signals that allow for faster /real-time response and better targeting.	Noise to signal ratio could be higher. e.g. frequent ups downs in the share market and currency exchange due to rumours/external factors = but this 'noise' doesn't not necessarily signal/ reflect that the foundation of economy is weak. (शोरगुल ज्यादा होता है, भले वास्तव में उतना रायता फैला न हुआ हो.)

MCQ. Which are High Frequency Indicators of the Indian economy? (CAPF-2023)

1. Power Consumption 2. IIP General Index 3. 10-year G-sec yield

Codes: (a) 1 only (b) 1 and 2 only (c) 2 and 3 only (d) 1, 2 and 3



Next: Pillar#5A Infrastructure- Energy, Water, Transport (BIPASA)



FAQ: Do I have to remember all this Ministries/Govt orgs/Schemes/Portals/Rails given here?

Ans. NOT Necessary. However, Some rough idea necessary for occasional [Yearbook] / Scheme/Portal type MCQs. I've pasted info here so as to save your time in not having to google. इतने सारे सरकारी संस्थान और योजनाएं याद रहे तो ठीक, वरना नींद खोने की जरूरत नहीं। मैंने तो माल बटोर के आपको दिया है ताकि आपकी मेहनत बचे, इधर-उधर google / CA-PDF पे ढूंढना नहीं पड़े.

Pillar#5A: INFRASTRUCTURE Part#1- Bijli, Paani, Sadak

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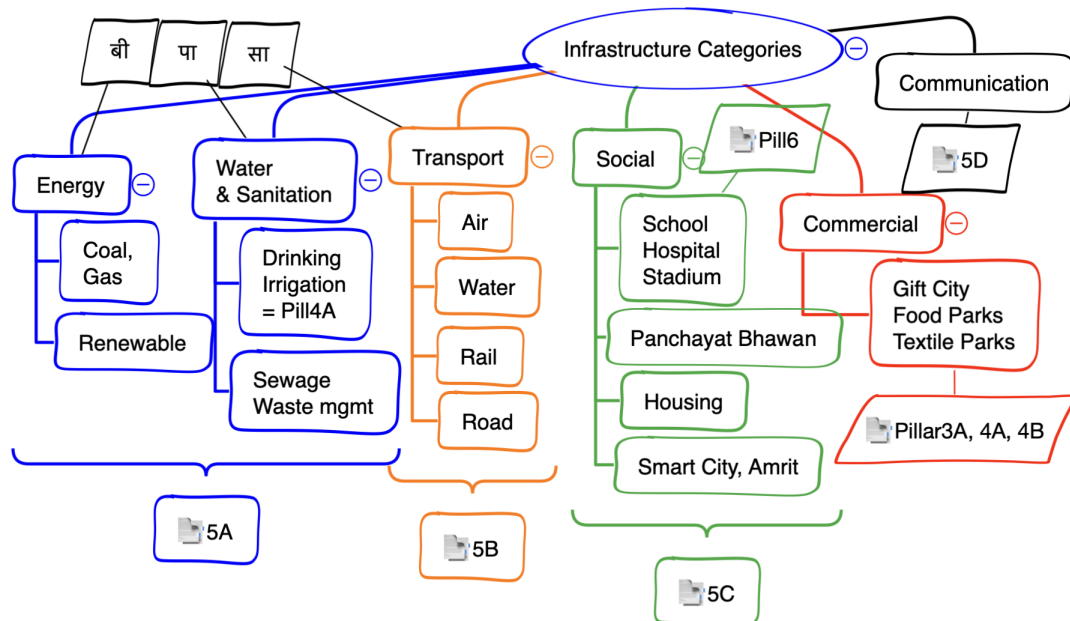
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50 🧱 INFRASTRUCTURE → MEANING & CHARACTERISTICS



Definition: Infrastructure is the set of basic facilities that help an economy to function & grow such as Energy, Irrigation, Roads, Railway & Telecommunication. (बुनियादी संरचना / अवसंरचना- वो न्यूनतम सुविधाएँ हैं जो एक अर्थतंत्र को कार्यरत रखने, और विकसित करने में मदद करती है- जैसे की बिजली पानी सड़क परिवहन संचार.)

Infrastructure sector may exhibit following characteristics → (लाक्षणिकताएँ/विशेषताएँ)

1. Sometimes a **natural monopoly** e.g. Railways (aviation and telecom before LPG Reforms).
2. **Sunk costs are high.** It's the investment that cannot be recovered even when the firm go out of business. e.g. If airport closed down, airstrip's asphalt will have little or no resale value because very bulky to dig-off and transport. (प्रोजेक्ट असफल होने पर लागत खर्च का एक मोटा हिस्सा डूब जाता है)
3. **'Output' is often Non-Tradable.** e.g. A road / bridge / airport constructed at one place cannot be 'transferred' to another place unlike a box of carrots.
4. Sometimes **intangible in nature** e.g. we can't touch spectrum or electricity. (अमूर्त है, छू नहीं सकते)
5. Consumption is often **'Non-Rival'** in nature e.g. 1 person using a road or street light it doesn't make product 'unavailable' for others (unlike a privately owned iphone.)
6. **Price Exclusion often difficult.** A rural road/street light can't be 'denied', even if a person not paying taxes or user-fees. (whereas if a person cannot afford iPhone, he is excluded from buying)
7. Usually **creates positive externality:** e.g. new railway station / airport → that much more business for taxi-walla & hotel owners in the surrounding area. (सकारात्मक बाह्यता)

Category	Sectors granted 'infra' status by FinMin → Dept. of Economic Affairs
Transport & Logistics: परिवहन और रसद	- Roads and bridges, Ports, Shipyard, Inland Waterways, Airport, Railway, tunnels, bridges, Transport, Logistics Infrastructure. —Commerce Ministry is working on a 'National Logistics Policy'
Energy	Electricity, Oil, Gas (बिजली, तेल, गैस)
Water &	Water supply & treatment, Sewage/Solid Waste Management, Irrigation



Category	Sectors granted 'infra' status by FinMin → Dept. of Economic Affairs
Sanitation	जल आपूर्ति, ठोस अपशिष्ट प्रबंधन, सिंचाई
Communication	Telecommunication (दूरसंचार)
Social & Commercial Infrastructure (सामाजिक और वाणिज्यिक)	- Hospitals, Education Institutions, Sports Infrastructure, Tourism infrastructure -hotels, ropeways and cable cars etc. - Industrial Parks, food parks, textile parks, SEZ etc. - Cold storage, Soil-testing laboratories - Affordable Housing

If a sector gets infrastructure 'status' → its entrepreneurs may get following benefits:

1. Govt could give tax benefits, lease public land at a token price, faster environment clearance, faster FDI approval etc. (करों में छूट, जमीन रियायती दामों पर, त्वरित रूप से पर्यावरण/विदेशी निवेश की मंजूरी)
2. RBI could help them by relaxing the External Commercial Borrowing (ECB) norms, Changing PSL norms etc. (ऋण की सीमाओं पर छूट)
3. SEBI could relax norms for REITS/InvITs etc. funds to help them mobilize capital easily for the infrastructure sector. Similarly, IRDAI & PFRDA could oblige insurance and pension cos. to invest minimum X% in infrastructure companies etc. (निवेश के नियमों को सरल किया जाए)
4. They could get easier funding from World bank & other multilateral banks.

Budget-2022:- We'll give "infrastructure" status to Data Centres, Energy Storage Systems, grid-scale battery systems, EV charging infra → so they can benefit from tax/subsidies/schemes benefits meant for other infrastructure sectors. (डेटा सेंटर ऊर्जा संरक्षण इत्यादि क्षेत्रों को इन्फ्रास्ट्रक्चर की संज्ञा/दर्जा दिया जाएगा ताकि उन्हें भी वही टैक्स, सब्सिडी, लोन की रियायतें/छूट मिलें जो अन्य इन्फ्रास्ट्रक्चर उद्योगों को मिलती है।)

50.1 INFRASTRUCTURE → MINING (खनन) / BASIC INDUSTRIES

Basic industries (बुनियादी उद्योग)	supply their products to manufacture other goods. Examples: Iron and steel, copper, aluminum, chemical etc.
Capital goods industries (पूंजीगत माल)	goods that are used in producing other goods e.g. textile machinery, conveyor belts, mining equipment etc.
Heavy industries (भारी उद्योग)	producing large and heavy products e.g. Ship building, bulldozers, industrial machinery, electric transformers etc.

♂ Difference between Dept/Statutory/Attached/Autonomous Body etc? = Watch Pill2A lecture.

50.1.1 [Yearbook] Ministry of Heavy Industries

भारी उद्योग का मंत्रालय

Dept विभाग	⇒ 1] Department of Heavy Industry ⇒ 2] Department of Public Enterprises: is responsible for i) Allotting Ratna Status (Ref: Pillar2) and ii) conduct Public Enterprises Survey. 2021- This department was shifted to Finance Ministry. (More in Pillar#2A)
Attached, Subordinate, Statutory	⇒ N/A or not MCQ worthy
Autonomous	⇒ National Automotive Testing and Research and Development



स्वायत्त संस्था	Infrastructure Project (NATrIP) → implements FAME-India project for faster adoption of electric vehicles.
CPSE: Central Public Sector Enterprises केंद्र सरकार के सार्वजनिक क्षेत्र के उपक्रम/ सरकारी कंपनियां	⇒ List not exhaustive: (निम्नलिखित के अलावा और भी कंपनियां हो सकती हैं) ⇒ Bharat Heavy Electricals Ltd. (BHEL) etc. ⇒ (*) Cement Corporation of India Ltd. (1965) ⇒ (*) Hindustan Newsprint Ltd, (*) Scooters India Ltd. ⇒ (*) Bharat Pumps and Compressors Ltd. ⇒ (*) Andrew Yule for tea-plantations . ⇒ (*) Braithwaite, Burn & Jessop Construction, ⇒ Hindustan Salts for mfg of salt, bromine, magnesium chloride. ⇒ Rajasthan Electronics Ltd: Joint venture with Rajasthan State government for mfg of solar panels .
Notable Schemes	⇒ Faster Adoption and Manufacturing of Electric Vehicles (FAME India); ⇒ National Programme on Advanced Chemistry Cell (ACC) Battery Storage; ⇒ Productivity Linked Incentive (PLI) scheme for automobile and auto components.

(*) means approved for Strategic Disinvestment (=privatization) in 2019

50.1.2 🧑🏫🔧 [Yearbook] Ministry of Steel (इस्पात मंत्रालय)

Dept	N/A
Attached, Subordinate, Statutory	N/A or not MCQ worthy
CPSE केंद्र सरकार के सार्वजनिक क्षेत्र के उपक्रम/ सरकारी कंपनियां	Many Govt Companies, among them notable are: ⇒ Steel Authority of India Ltd (SAIL), Rashtriya Ispat Nigam Ltd (RINL) ⇒ National Mineral Development Corporation (NMDC) iron ore. ⇒ (*) Salem Steel Plant (Tamilnadu), Bhadrwati Steel Plant (Karnataka), Ferro Scrap Nigam Ltd, & a few misc.
E-governance	Steel Import Monitoring System (SIMS) portal.
Policy- National Steel Policy 2017:	- ↑ per capita steel consumption from 74kg (present) to 160kg (by 2031) - reduce import of coking coal from 85% (present) to 65% (by 2030-31) - 100% indigenous/local mfg of high grade automobile steel.
Ranking	Largest Crude steel Producer #1: China. #2 India (says Yearbook'24)

(*) means approved for strategic disinvestment (=privatization) in 2019

Largest Steel	1	2	3
Producer	China (54%)	India (6%)	Japan
Consumer	China (49%)	USA	India (6%)

50.1.2.1 🧑🏫🔧 Purvodaya Initiative ke naam pe 2 SCHEMES??

Purvodaya Initiative (2020)	Purvodaya Initiative (2025)
Steel Ministry	👉 Budget-2025: Exact details yet to come.
⇒ Odisha, Jharkhand, West Bengal, Chhattisgarh, Northern Andhra = home	⇒ Odisha, Jharkhand, West Bengal, Andhra and Bihar, are rich in resources and cultural

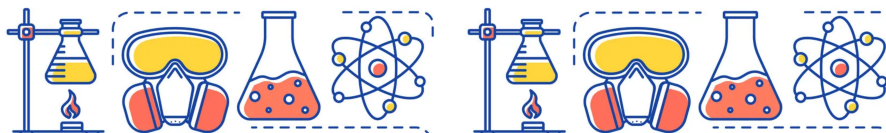


Purvodaya Initiative (2020)	Purvodaya Initiative (2025)
to 80% iron reserves in India. ⇒ We'll develop more steel related infra here.	heritage. ⇒ We'll do industrial development, roads, power-infra, medical colleges etc.

MCQ. Which States is not a part of the Purvodaya? (CAPF-25)

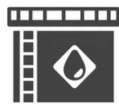
(a) Bihar (b) Chhattisgarh (c) Jharkhand (d) West Bengal (Mru notes- Prof. shd have framed it with better wording, else TWO ans possible. I guess probably asking about Budget-2025.)

50.1.3 [Yearbook] Ministry of Chemicals & Fertilizers



Dept	1) Dept of Chemicals and Petrochemicals 2) Department of Fertilizers 3) Dept of Pharmaceuticals
Attached,	⇒ Fertilizers Industry Coordination Committee (FICC). ⇒ National Pharmaceutical Pricing Authority (NPPA) More in Pillar#6:
Subordinate, Statutory	Either non-existent / not MCQ worthy (या तो मौजूद नहीं है या तो परीक्षा के लिए काम की नहीं)
Autonomous	These bodies are set up under either Societies Registration Act or Multistate Cooperative Societies Act= Different?NOTIMP. ⇒ Multi State Cooperative Societies: IFFCO, KRIBHCO ⇒ Bureau of Pharma PSUs of India(BPPI) for supplying cheap medicines to PM Jan Aushadhi Kendras (More in Pillar6) ⇒ National Institute of Pharmaceutical Education Research (NIPER) ⇒ Central Institute of Plastics Engineering & Technology (CIPET), Ranchi
CPSE केंद्र सरकार के सार्वजनिक क्षेत्र के उपक्रम/ सरकारी कंपनियां	<i>Many Government companies. Among them, notable are:</i> ⇒ Hindustan Insecticide Limited (HIL) → responsible for mfg of Di-chloro-di-phenyl-tri-chloro-ethane (DDT) for mosquito control in Nation vector borne disease control program ⇒ Indian Drugs and Pharmaceuticals, Bengal Chemicals and Pharmaceuticals ⇒ (*) Hindustan Antibiotics, (*) Karnataka Antibiotics & Pharma, (*) Bengal Chemicals and Pharmaceuticals, (*) Hindustan Fluorocarbon Ltd ⇒ (*) Madras Fertilizer; (*) Brahmaputra Valley Fertiliser, (*) Aravali Gypsum
notable schemes	- Setting up plastic parks for plastic industry. - Setting up Petroleum Chemical and Petrochemical Investment Regions (PCPIRs) at Andhra Pradesh (Vishakhapatnam), Gujarat (Dahej), Odisha (Paradeep) and Tamil Nadu (Cuddalore and Nagapattinam). - Pradhan Mantri Bhartiya Janaushadhi Pariyojana for cheap medicines.

(*) means approved for strategic disinvestment (=privatization) in 2019



50.1.4 [Yearbook] Yearbook: Ministry of Petroleum & Natural Gas

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय

Dept	⇒ N/A
Attached / Subordinate offices:	⇒ Directorate General of Hydrocarbons: regulator for the upstream activities i.e. oil and gas exploration and production activities. 2018: proposal to give it statutory status was REJECTED.
Statutory	⇒ 2006's Act: Petroleum and Natural Gas Regulatory Board (PNGRB): regulator on downstream activities eg laying of pipelines, fuel marketing
CPSE केंद्र सरकार के सार्वजनिक क्षेत्र के उपक्रम/ सरकारी कंपनियां	⇒ (*) Bharat Petroleum Corp Ltd, (*) Hindustan Petroleum Corp Ltd ⇒ Engineers India Limited → consultancy services for petro refineries etc ⇒ Gas Authority of India, Indian Oil Corporation, Oil India, ⇒ Oil & Natural Gas Corporation (ONGC), ⇒ ONGC-Videsh Ltd (OVL)- associated with foreign exploration projects like Sakhalin (Russia), Al-Furat (Syria), Greater Nile (Sudan), San Cristobal (Venezuela). ⇒ Indian Strategic Petroleum Reserve Limited (ISPRL) to buy and store crude oil in buffer, when international prices are low. (refer to Pillar3A). Presently three storage-plants have started working at Visakhapatnam, Mangaluru and Padur.

(*) means approved for strategic disinvestment (=privatization) in 2019

50.1.5 Dutch Disease & Resource Curse- ES2016-17

- ⇒ **Dutch Disease:** Discovery of Natural Gas in Netherlands → Higher inflow of Foreign Currency (\$) for import, investment, bribes to win oil exploration rights → Local currency strong → Non-Energy Exports decline [Agri, textile etc.] → farmer shift to work in oil/gas wells & refineries → food shortage → hyperinflation → food riots. (ऊर्जा संसाधनों के चलते ढेर सारा विदेशी निवेश आने पर स्थानिक मुद्रा कमजोर हो जाती है जिससे अन्य उद्योगों को नुकसान और खाद्य महंगाई की समस्या)
- ⇒ **Resource Curse / Paradox of Plenty:** Venezuela is #1 oil reserves in OPEC group yet food riots. Because of 'Dutch Disease'. (संसाधनों का अभिशाप)
- ⇒ **Resource Curse in context of India:** Chhattisgarh, Jharkhand = large mineral wealth → mining mafia, Naxalite, politician nexus → bribery, corruption, ransom, rent-seeking → high level of poverty, malnutrition. (खनिज संपत्ति के चलते भ्रष्टाचार फिरती गरीबी, कुपोषण)

50.1.6 Crude Oil Prices, Petrol Diesel pe Taxes, Oil Bonds, NELP-HELP Policies

Ref: Pillar2A2- Indirect Taxes and Pillar3A: Import Export.

MCQ. Find correct statements: (UPSC Pre19)

1. Petroleum Natural Gas Regulatory Board (PNGRB) is the first regulatory body set up by the Govt.
2. One of the tasks of PNGRB is to ensure competitive markets for gas.
3. Appeals against the decisions of PNGRB go before the Appellate Tribunals of Electricity.



Codes: (a) 1 and 2 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) 1,2 and 3



AB CD ? MCQ. How many activities are regulated by the PNGRB? (IAS-2025)

I. Production of crude oil II. Refining, storage and distribution of petroleum

III. Marketing and sale of petroleum products IV. Production of natural gas

Codes: (a) Only one (b) Only two (c) Only three (d) All the four

If you had solved Pre'19 PYQ@home, u could easily solve Pre'25 MCQ@examhall.

50.1.7 🧑🏫 [Yearbook] Ministry of Mines (खान मंत्रालय)

Dept / Statutory	N/A or Not exam worthy. (या तो विद्यमान नहीं या तो परीक्षा के लिए उपयोगी नहीं)
Attached / subordinate offices	- National Mineral Exploration Trust राष्ट्रीय खनिज अन्वेषण न्यास - Geological Survey of India (started in 1851- mainly for coal research.) Presently also conducts landslide & glacial-disasters' research. - Indian Bureau of Mines भारतीय खान ब्यूरो (1948)
CPSE	- National Aluminum Company Limited (NALCO), Bhubaneswar; - Hindustan Copper Limited (HCL), Kolkata; - Mineral Exploration Corporation Limited (MECL), Nagpur.
Autonomous bodies / Trusts	- National Inst of Rock Mechanics, Kolar Gold Fields (KGF, Karnataka) - National Institute of Miners' Health (NIMH in Karnataka). Although in 2020, Govt merged it with Health Ministry's ICMR-National Institute of Occupational Health (NIOH, Ahmedabad, Guj.)
Statutory	- Districts Mineral Foundations (DMF) in mining districts.

50.1.8 🏆🔧🌍 Mineral Products in India: (भारत के खनिज उत्पादन)

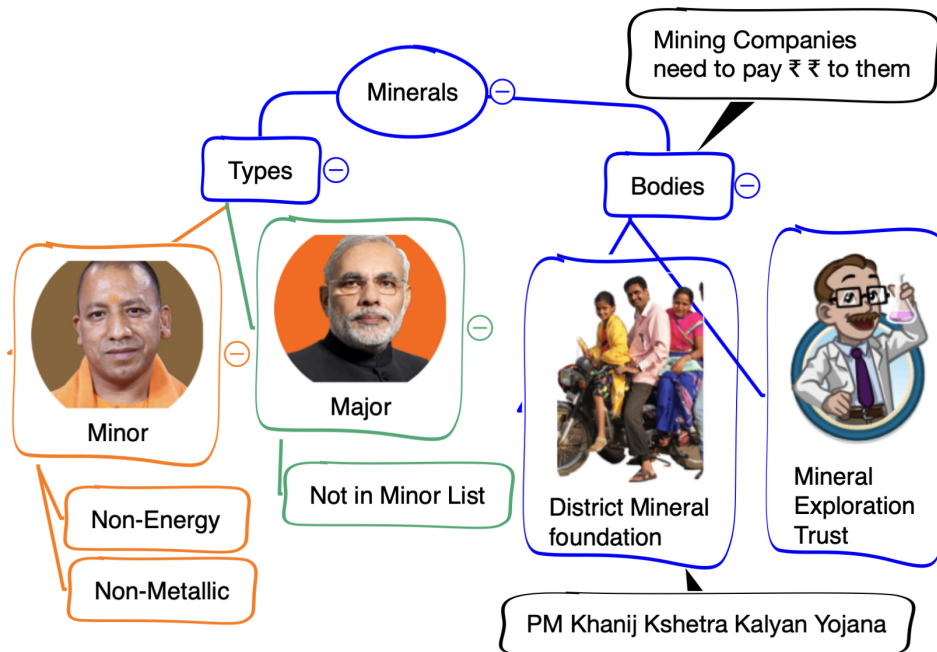
Hydrocarbon Energy Minerals (Coal, Lignite, Petroleum & Natural Gas)	4 types
Atomic Minerals (Ilmenite, Rutile, Zircon, Uranium, And Monazite)	5 types
Metallic	10
Non-Metallic	21
Minor Minerals.	55
Total number of products	95 types

By default, the 'regulation of mines and mineral development', falls under Union List. But,

- 🧑🏫 Minor minerals: गौण खनिज = Their legislation, royalty, administrative work is delegated to the States' domain e.g. Sand, Mica, Marble, Granite, Agate, Chalk, Gypsum, Shale etc.



- 🧠 **Major minerals:** प्रमुख खनिज = Any mineral that is not in Minor mineral list is called 'Major Mineral' → Union's domain e.g. atomic minerals, bauxite, iron, coal, petroleum, natural gas etc.



MCQ. Find correct statement(s) about minor minerals in India: (Prelims-2019)

1. Sand is a 'minor mineral' according to the prevailing law in the country.
2. State Governments have the power to grant mining leases of minor minerals, but the powers regarding the formation of rules related to the grant of minor minerals lie with the Centre Govt.
3. State Governments have the power to frame rules to prevent illegal mining of minor minerals.

Ans Codes: (a) 1 and 3 only (b) 2 and 3 only (c) 3 only (d) 1, 2 and 3 only

MCQ. Which are designated as major minerals? 1) Bentonite 2) Chromite 3) Kyanite 4) Sillimanite (Prelims-2020)

[a] 1 and 2 only [b] 4 only [c] 1 and 3 only [d] 2, 3 and 4 only

50.1.9 🏆🔧🔑 **National Mineral Policy (NMP) 2019**

- India produces 95 minerals including 4 hydrocarbon energy minerals (coal, lignite, petroleum & natural gas), 5 atomic minerals (ilmenite, rutile, zircon, uranium, and monazite), 10 metallic, 21 non-metallic, and 55 minor minerals
- **Boss?** Mining Ministry, to replace 2008's policy. **Target:** For non-fuel and non-coal minerals
- We'll allow transfer of mining leases from one company to another, help in their merger and acquisition (कंपनियों के विलय और अधिग्रहण से जुड़े नियमों को आसान बनाया जाएगा).
- We'll grant 'industry' status to mining. (so they become eligible for certain tax benefits / schemes meant for 'industry' sector, if any.) (खनन क्षेत्र को उद्योग का दर्जा दिया जाएगा ताकि अन्य उद्योगों को मिलनेवाली टैक्स / सब्सिडी छूट सब खनन उद्योगपतियों को भी मिले)
- We'll harmonize India's mining taxes & royalty rates to global benchmarks. (वैश्विक स्तर के समांतर टैक्स और रॉयल्टी के नियम, कि विदेशी कंपनियां भी भारत में आने में रुचि दिखाए)



- We've already allowed 100% FDI in mineral exploration but we'll work for ease of doing biz, so that FDI actually comes. (वास्तविक रूप से विदेशी कंपनियां भारत में प्रत्यक्ष विदेशी निवेश में दिलचस्पी ले उसके लिए कदम)
- R&D, manpower skilling, environmental conservation etc. (संशोधन, कौशल विकास, पर्यावरण सुरक्षा)

50.1.10 🏆⚡ Mining → MMDR Act 2015

Mines and Minerals Development and Regulation Act, (2015: खान और खनिज विकास और विनियमन अधिनियम) replaced the 1957's act for ease of doing biz.

- Mining Lease (= Concessions अनुज्ञा पत्र) will be granted **only through auction**. No discretionary allotment to any company. (खदानों की सिर्फ नीलामी होगी. विवेकाधीन आवंटन नहीं मिलेगा)
- Mining Lease shall be given for 50 years, then it'll be put up for auction (and not renewal unlike the earlier system).
- Establish a **National Mineral Exploration Trust** (राष्ट्रीय खनिज अन्वेषण ट्रस्ट). Mining companies required to pay them → it'll carry out exploration of minerals.
- Establish 'Not-for-Profit Trusts' **District Mineral Foundations** (DMF: जिला खनिज प्रतिष्ठान) in all districts where mining takes place. Mining company required to pay them ₹ ₹ → DMF to use it for the welfare of people in the district who are affected by the mining related operations. State govt to prescribe the administrative structure and guidelines of DMFs.
- Higher penalties and jail terms for illegal mining (अवैध खनन के लिए कारावास और जुर्माना).

50.1.11 💰👉 Aspirational DMF Programme (2025-Jul)

- **Boss?** Ministry of Mines ➡ District Mineral Foundations
- **Objective?** to coordinate DMF funds/activities with the Niti Aayog's Aspirational District Programme & Aspirational Block Programmes (Ref: Pillar#4C)

ABCD ? MCQ. What is the purpose of 'District Mineral Foundations' in India? (UPSC-Pre-2016)

1. Promoting mineral exploration activities in mineral-rich districts
2. Protecting the interests of the persons affected by mining operations
3. Authorizing State Governments to issue licences for mineral exploration

Answer Codes: (a) 1 and 2 only (b) 2 only (c) 1 and 3 only (d) 1, 2 and 3

50.1.12 🏆⚡ Mines & Minerals (Development & Regulation) Amendment Bill/Act, 2021

👉 **NOTE:** following amendment does not apply to coal and atomic minerals

😭 BEFORE	😄 AFTER
- Union government to could reserve any mine a particular end-use. - e.g. if Tata was allotted an iron ore mine, he could only use its ore for his own steel plant and cannot send the iron ore to any other company. Such mines are known as captive mines.	- (In future) when new mines are auction....No mineral can be reserved for captive use. - The mining company may do whatever it wishes e.g. Tata can use the iron ore for his own steel plant AND/OR Sale it to some other company. [खदान कंपनी चाहे तो अपने उत्पादन के लिए खनिज का इस्तेमाल करें या किसी और कंपनी को



	बेचने सरकार – सरकार इन मामलों पर कोई पाबंदी नहीं
Union govt had allowed State government to conducted the auction of minor mines. But some states were very lazy and not completing the auction process in a timely and transparent fashion.	Union Govt will specify the time period within which state government must complete the auction. otherwise union government will do auction for that state। [यदि तय समय सीमा में राज्य सरकार खदानों की नीलामी नहीं करेगी, तो केंद्र सरकार उस राज्य के लिए नीलामी कर देगी]
If mining company doesn't do mining for 2 years then their lease will expire. (=Govt may sell the mine, to some other company)। खनन कंपनी ने खदान मिलने के बाद दो वर्षों के भीतर ही उत्पादन शुरू करना होगा वरना उसका आवंटन रद्द हो जाएगा	😓 Govt may give 2 years + one-year extra extension/relief = total 3 years relief to exiting company. (e.g. in case Company could not start the mining process due to Corona lockdown/labour/disaster) [एक साल अतिरिक्त छूट यानी तीन साल तक भी उत्पादन नहीं शुरू किया तो सरकार आवंटन रद्द नहीं करेगी]

50.2 📈 ROYALTY RATES FOR CRITICAL MINERALS REDUCED (2023) (अति महत्वपूर्ण खनिज)

BEFORE	Royalty on Average Sales Price After 2023-Oct Reform
12%	1) 3% royalty on Lithium - it's used in batteries of mobiles, laptops, electric vehicles, and medical devices like pacemakers.
12%	2) 3% royalty on Niobium : it has superconducting properties. Used in jet engines, rockets, beams for buildings, oil and gas pipelines, MRI scanners, Nuclear Magnetic Resonance equipment (for spectroscopy).
12%	3) 1% royalty on Rare Earth Elements or oxides(REE) : It refers to a group of 17-odd minerals like scandium, yttrium, and cerium etc. Most of these are used as catalysts and magnets, in alloys, glass, electronics, petroleum extraction, electric motors of hybrid and EVs and wind turbines, digital cameras, computer hard disks, smart phones, fluorescent and light-emitting-diode (LED) lights, etc.

Note: Sales price of some of these critical minerals is decided based on data from London Metal Exchange (LME).

50.2.1 📈📈 Benefits of Reduced royalty?

1. Reduced royalty → Improved profitability for the mining companies will attract more investment / foreign companies to India. → Increased production
2. Reduced royalty → cheaper electric vehicle batteries → pollution control. → achieving net-zero emission by 2070.
3. reduced reliance on the imported minerals → reduced current account deficit → stable currency exchange rate. (Ref: Pillar#3B)

50.3 ⚖️ MMDR AMENDMENT, 2023

Mines and Minerals (Development and Regulation) Amendment Act, 2023



50.3.1 ⚖️ MMDR → private sector: companies can do atomic mineral mining

BEFORE	AFTER
➤ six minerals classified as atomic minerals under the Act: (i) beryl and beryllium, (ii) lithium, (iii) niobium, (iv) titanium, (v) tantalum, and (vi) zirconium. ➤ 🤔 Implications? Private sector companies were prohibited from exploring /mining them. Only government companies / government org could explore / mining them.	➤ Delisted these 6 minerals from Atomic mineral list. ➤ So, now private sector companies can also explore/mine them. [कुछ खनिजों को परमाणु श्रेणी से हटाया गया था कि निजी क्षेत्र की कंपनियां भी उसका खनन कर सके]

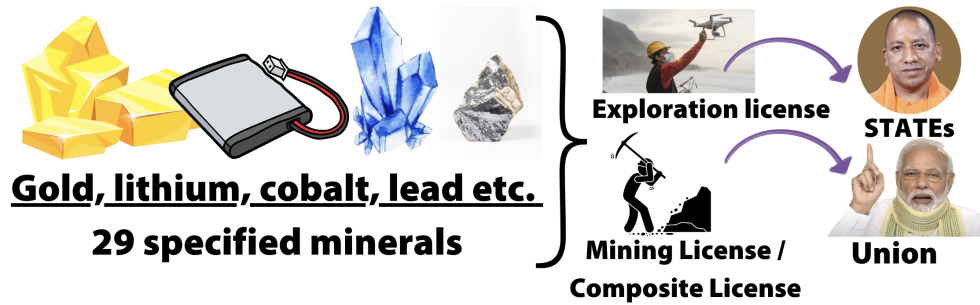
50.3.2 ⚖️ MMDR → NEW Type of Mining licenses

BEFORE	AFTER
1) reconnaissance license for a preliminary survey to determine minerals in an area (पूर्व-परीक्षण) 2) prospecting license for exploring, locating, or proving mineral deposits. (ढूढ़ना)	1 and 2 continued for normal minerals. (इस प्रकार के लाइसेंस/ ठेके जारी रहेंगे।)
Not present	New category: exploration licence for reconnaissance/prospecting of specified minerals (list given in next section) (अन्वेषण)
3) Mining license for the commercial activity of digging/ extraction of minerals (खनन /खुदाई के लिए,) 4) Composite licence: prospecting and mining. (ढूढ़ने और खुद ने दोनों के लिए समग्र लाइसेंस)	Yes these licenses also continued



50.3.3 ⚖️ MMDR → Specified Minerals : Who will give what type of license? (निर्दिष्ट खनिज)

- 29 mineral such as: Gold, silver, copper, cobalt, nickel, lead, potash, rock phosphate; and critical minerals such as (i) beryl and beryllium, (ii) lithium, (iii) niobium, (iv) titanium, (v) tantalum, and (vi) zirconium etc.
- following clarity given for them in MMDR Act's 2023's amendment →



Type of License for above minerals	Who will give?
1) Exploration license for reconnaissance/ prospecting	State Govt to give. but, Union will prescribe auction method, terms and conditions.
2) Mining lease: for commercial digging 3) composite licence: for prospecting and mining.	Union Government

MCQ. Find correct: (IAS-2025)

- I. India has joined the Minerals Security Partnership as a member. (Right recall Pill3C)
 II. India is a resource-rich country **in all the 30 critical minerals** that it has identified.
 III. The Parliament has amended the MMDR Act, 1957 empowering the Central Government to exclusively auction mining lease and composite license for certain critical minerals.

Codes: (a) I and II only (b) II and III only (c) I and III only (d) I, II and III

Hint: We don't have all 30 critical minerals. But be careful, same **Guess-master Giri** will not work if they asked India produces all 4 types of silk: Mulberry, Tasar, Eri, and Muga - then for silk yes we do!

50.3.4 MMDR → Reconnaissance - sub-surface method allowed (भूगर्भ में भी पूर्व परीक्षण)



- reconnaissance= a preliminary survey to determine mineral resources.
- following clarity given in MMDR Act's 2023's amendment →

BEFORE	AFTER
✓ Allowed (i) aerial surveys, (ii) geophysical, (iii) geochemical surveys (iv) geological mapping.	✓ Allowed
🚫 forbidden below-surface /sub-surface activities like trenching, drilling, and sub-surface excavation	✓ Allowed.

50.4 OFFSHORE AREAS MINERAL (DEVELOPMENT AND REGULATION) AMENDMENT 2023

To amend the Year 2002's original Act (अपतटीय/समंदर क्षेत्र में खनन का क़ानून)



😬 BEFORE	😄 AFTER
License for 30 years. can be renewed for another 20 years. (this increased the scope for minister/IAS to demand bribe during renewal application)	Directly 50 years ka license = more ease of doing biz. (50 वर्ष का ठेका एक साथ मिलेगा)
License given based on administrative discretion. (this increased the scope for crony-capitalism, bribery and collusion, depending on which company paid bribe to the minister.)	via competitive bidding/auction. (प्रशासनिक विवेक/बाबू-मंत्रियों की मर्जी से नहीं, बल्कि स्पर्धात्मक नीलामी से मिलेगा ठेका। इससे भ्रष्टाचार के अवसर कम होंगे।)
Less clarity पहले इस मामले पर स्पष्टता कम थी	only Govt companies will be allowed to do offshore mining of atomic minerals such as uranium, monazite, thorium etc. (केवल सरकारी कंपनियां ही परमाणु खनिज का समंदर में खनन कर पाएंगी।)
No such statutory body. ऐसी कोई वैधानिक संस्था नहीं थी	Setup 'Offshore Areas Mineral Trust': Then companies will be required to pay some money to this org. It'll be used for research, environment conservation and disaster management near the offshore mining areas. (अपतटीय क्षेत्र खनिज ट्रस्ट → ये संस्था खनन कंपनियों से पैसा लेगी और रिसर्च पर्यावरण संरक्षण और आपदा प्रबंधन के लिए काम करेगी।)
Less penalty /less jail. जुर्माना कम था	increased the jail/penalty for illegal mining in offshore areas. (अवैध समुद्री खनन पर जेल/कारावास और जुर्माने को बढ़ाया गया।)

50.4.1 📖 National Critical Mineral Mission by Ministry of Mines (2025)

- Funding? ₹ 16,300 cr from govt + ₹ 18,000 crore by PSUs, etc.= ₹34,300 cr - over seven years
- For critical mineral resources vital to Green Technologies
- intensify the exploration and recycling of critical minerals.
- Fast track approval for critical mineral mining projects.
- Acquire critical mineral assets in foreign nations e.g. Lithium mining in Argentina's Catamarca province.

50.4.2 📖 Critical minerals from tailings (leftover/byproduct)

- Tailings are the leftover materials after the primary mineral has been processed.
- e.g. Mineral Ore → Primary mineral Copper → Tailing / leftover → Cobalt can be extracted.
- 💡 Budget-2025: we'll encourage critical minerals from tailings.

50.5 🔥 MINING → COAL (कोयला)



⇒ Top five largest coal reserves: USA > Russia > China > Australia > #5: India. (प्राकृतिक भंडार)



⇒ Although India is the **world's 2nd largest coal producer (उत्पादन)** but our requirements are higher than production, so, we import >₹1.50 Lcr coal, annually.

⇒ Coal is used in many industries such as electricity, steel, cement, paper, brick-kilns, etc

Coal Type	Note	Carbon %
Peat	Highest moisture = smoke pollution. Most inferior in energy	40
Lignite /Brown Coal	Important states: TN (Neyveli), Gujarat, Rajasthan	40-60
Bituminous/ Black-Coal	- Upon heating, it releases a liquid called Bitumin. - Used to make coking coal, gas coal, steam coal. - Imp states: Chattisgarh, Jharkhand, WB, MP, Odisha	60-80
Anthracite Hard Coal	Burns with short blue flame, lowest moisture, highest energy. न्यूनतम नमी और महत्तम ऊर्जा	80-90

50.5.1 🔥👤 [Yearbook] Coal Ministry (कोयला मंत्रालय) consists of →

Dept	- N/A
Attached / subordinate	- Coal Controller's Organization: functions- (1) Data collection, research, quality monitoring for coal. (2) hear public's objection against govt's notification related to coal bearing areas.
CPSE (सरकारी कम्पनियाँ)	- Coal India Ltd (CIL) & its subsidiaries. HQ: Kolkata, Maharatna company, single largest coal producing company – as per their website. - Neyveli Lignite Corporation, Tamil Nadu. - Singareni Collieries Company Limited: Telangana Govt 51%: Union: 49%
Statutory	- Coal Mines Provident Fund Organization → webportal C-CARES .

MCQ. In India, what is the role of the Coal Controller's Organization (CCO) ?

- CCO is the major source of Coal Statistics in Government of India. (कोयले के बारे में आंकड़े जमा करना)
- It monitors progress of development of Captive Coal/Lignite blocks.
- It hears any objection to the Govt's notification relating to acquisition of coal-bearing areas.
- It ensures that coal mining companies deliver the coal to end users in the prescribed time.

Codes: (a) 1, 2 and 3 (b) 3 and 4 only (c) 1 and 2 only (d) 1, 2 and 4

MCQ. Find correct about the Coal India Limited : (UPSC-CDS-2019-i)

- It is designated as a 'Maha Ratna' company under the Ministry of Coal.
- It is the single largest coal producing company in the world.
- The Headquarters of Coal India Limited is located at Ranchi Jharkhand.

Codes: a) 1 only b) 1 and 2 only c) 2 and 3 only d) 1, 2 and 3

Find correct statement(s) about Coal India Limited CIL? (UPSC-CDS-i-2020)

- CIL has its headquarters Kolkata.
- CIL operates through 82 mining areas spread over twenty provincial States of India.
- CIL is the single largest coal-producing company in the world.

Codes: a) 1 only b) 1 and 3 only c) 2 and 3 only d) 1, 2 and 3



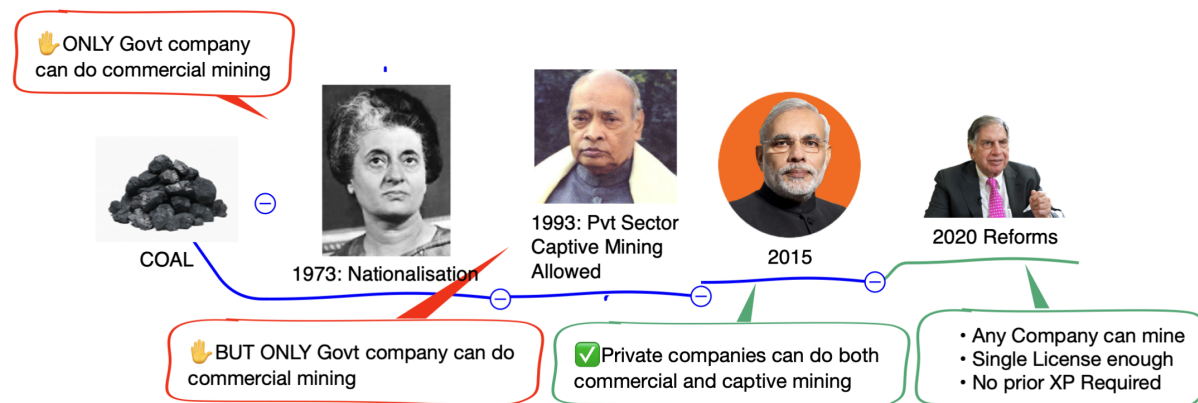
MCQ. Find Correct about Singareni Collieries Company Limited ? (CAPF-2024)

- ✗ (a) Located at Kothagudem in Telengana, this is the first and the oldest coal mining company in India in the private sector. [WRONG, it is public sector company.]
- (b) It has now diversified into thermal and solar power generation, explosive manufacturing for blasting in opencast mines and consultancy works
- ✗ (c) It has been conferred with ""Navratna status since 2011. [WRONG.]
- ✗ (d) It is the single largest coal producing company in the world. [WRONG. That's Coal India]

Note: This much PHD not given in govt's own India Yearbook-2024! so not possible to solve in real life. I've given hints-only for observation.

50.5.2 🗑️ Coal Mining- Nationalization & Entry of Private Sector

- **1973:** Coal Mines Nationalization Act → Coal India and other CPSEs took over private coal mining companies. They will dig coal, sell it to thermal power plants & other industries.
- **1993:** Private Coal mining allowed for ONLY for captive use (अंकुशित उपयोग) i.e. industrialist wanting coal for his own steel, cement, aluminium etc. manufacturing processes → UPA-raj Captive Mining rights given to ministers' relatives → they sold rights to needy companies @higher price= SCAM, then 2014: SC cancelled coal block allocations.
- **2015:** Coal Mines Special Provision Act: It opens up commercial coal mining for both private and public entities, and thus ends monopoly of Coal India. (doesn't mean captive mining is outlawed. Companies who already have such captive mining rights, which were not cancelled by SC- they're allowed to operate. Then Govt takes some reforms #थोड़ा-पढ़ो-आगे-बढ़ो)



AB CD ? Find correct statement(s) (Prelims-2019)

1. Coal sector was nationalized by the Govt of India under Indira Gandhi.
2. Now, coal blocks are allocated on lottery basis.
3. Till recently, India imported coal to meet shortages of domestic supply, but now India is self-sufficient in coal production.

Codes: (a) 1 only (b) 2 and 3 only (c) 3 only (d) 1,2 and 3

50.5.3 🗑️ Mineral Laws (Amendment) Ordinance/Act 2020

खनिज कानून (संशोधन) अध्यादेश/ कानून amends the

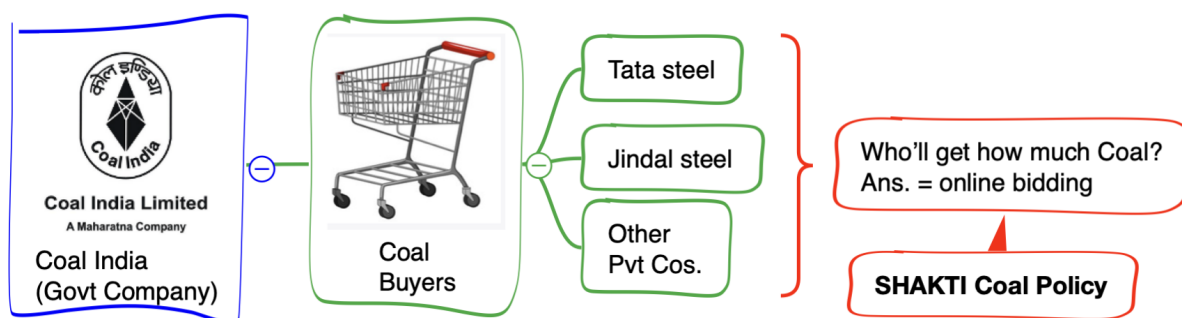
⇒ Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act) AND



⇒ Coal Mines (Special Provisions) Act, 2015 (CMSP Act).

	🤖 Before ordinance/Act	👑 After
Who can do bidding in the coal mining auction?	Only companies related to iron steel, power coal sectors.	Any India-registered company. So it'll also encourage competition and attract FDI in such Indian companies
Prior experience required before bidding	Yes. खनन के अनुभव की आवश्यकता होगी, तभी नीलामी में हिस्सा ले सकते हैं	Prior experience in mining not required. अनुभव आवश्यक नहीं
What type of license is /are given?	Separate licenses for i. prospecting (survey) ii. actual mining	Single/Composite license called 'prospecting license-cum-mining lease' (पूर्वविक्षण-सह-खनन का संयुक्त अधिकारपत्र)
How does Govt earn money?	Companies to pay a fixed Rs. amount per tonne of coal mined. कम्पनी प्रति टन कोयले के उत्पादन के हिसाब से निश्चित रकम सरकार को दे दी थी	⇒ Revenue sharing model= i.e. Mining company needs to give a certain portion of its revenue (=income from coal sales) to the govt irrespective of profit or loss in that sale. कंपनी ने कोयले की बिक्री की आमदनी का कुछ हिस्सा सरकार को देना होगा ⇒ During the auction: minimum bidding is 4% revenue share to the government. Then whichever company is offering higher % revenue share (e.g. 5%, 10%...) will be given the mining rights.
Captive Miner अंकुशित कोयला खनन कंपनी	Captive miner can't sell coal to third party. He must use coal for his own steel, cement etc industry only.	⇒ Can sell upto 50% of production. [अंकुशित कोयला खनन कंपनी=पहले कोयले को सिर्फ अपने स्टील सीमेंट उद्योग में इस्तेमाल कर सकते. अब वे उस कोयला उत्पादन का 50% खुले बाज़ार में बेच भी सकते हैं]

50.5.4 🛒 Coal selling – Shakti Policy (2017)?



- Explained in above image.
- **National Coal Index:** Coal Ministry's index to measure coal price change compared to the base year 2017-18. It monitors the price of both domestically produced coal & imported coal. [इन राष्ट्रीय कोयला सूचकांक- भारत में उत्पादित तथा विदेशों से आयातित कोयले की कीमतों पर नज़र रखता है]



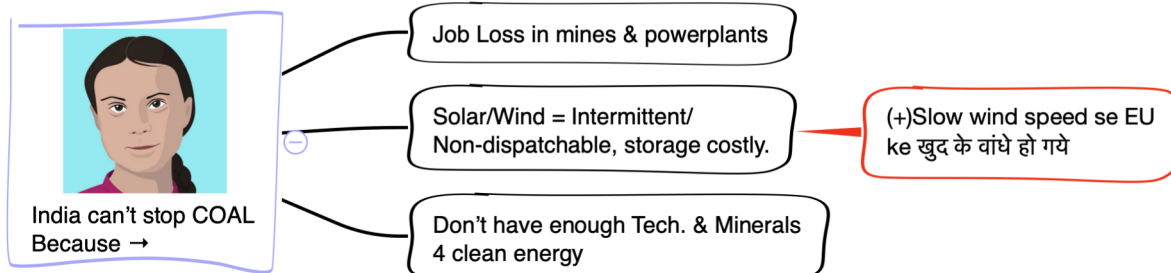
Apps?

1. **Coal Mitra App** by Power Ministry to help companies in buying / selling coal.
2. **UTTAM App** by coal ministry to monitor coal quality coming from a particular mine.

50.5.5 🍷💎 Mining → Atma-Nirbhar initiative in corona- deleting

Deleting bcoz now outdated.

50.5.6 🔥📦📦 Coal Energy: Economic survey suggestions / observations:



1. **Carbon Imperialism** is a modern day type of imperialism wherein the 1st world nations are trying to enforce their views about energy-consumption upon the 3rd nations with hidden agenda to 1) To sell their nuclear fuel & technology. 2) To portray 3rd world in bad light for using coal power and thereby ↓ their own culpability for global warming. India's Contribution to GHG <10% and Per capita emission is less than 2 tons, yet 1st world nations portray us as villains. (कार्बन साम्राज्यवाद विकासशील देशों को अपनी परमाणु ऊर्जा और तकनीक बेचने के लिए तथा जलवायु परिवर्तन में अपनी अपराधिकता को छुपाने के लिए विकसित देश कोयला ताप आधारित ऊर्जा की निंदा करते हैं)
2. But for India **coal based electricity is a necessary evil** because
 - a. Wind and solar power are Non-dispatchable (गैर प्रेषणीय), meaning electricity can be generated only when there is fast wind blowing or there is appropriate sunshine
 - b. Land requirement for solar based powerplant is 10 times that of thermal power plant.
 - c. Challenges in acquiring Nuclear Fuel and Nuclear Technology
 - d. Unemployment if we shut down coal mining & thermal plants. Further mains self study at mrunal.org/2017/09/upsc-mains-answer-writing-gsm3-carbon-imperialism.html
3. 📦 Budget-2020: Some of the Indian thermal power plants are old and their carbon emission levels are high. We'll close them & use their vacated land for alternative use. (बेहद प्रदूषण करने वाले पुराने प्लांट्स बंद करेंगे और उस जमीन का कोई ओर वैकल्पिक इस्तेमाल करेंगे)
4. 📦🔥 Budget-2022:- Carbon Neutral Economy: 5-7% biomass pellets will be co-fired in thermal power plants → 😊 extra income to farmers + ↓ stubble burning in agriculture fields. (फसल अवशेष/पराली को जलाने की जगह उसमें से बायोमास-पेलेट बनाकर कोयला बिजली घरों में इस्तेमाल किए जाएंगे।)
5. 📦🔥 Budget-2022:- projects for 1) coal gasification 2) conversion of coal into chemicals.
 - a. Gasification of coal is a process in which coal is partially oxidated by air, oxygen, steam or carbon dioxide → to produce a fuel gas. (कोयले के आंशिक ऑक्सीडेशन द्वारा ईंधन गैस बनाना।)



- b. Coal can be used for producing chemicals like Formaldehyde, ethylene and propylene, acetic acid. (कोयले में से विविध रसायनों का उत्पादन)
- c. 🧴 Interim-Budget-2024: Target 100 Metric Tonne of Coal gasification and liquefaction capacity by 2030. This will also help in reducing imports of natural gas, methanol, and ammonia.
6. 📖 ES22 quoted World bank's report Minerals for Climate Action: we need following minerals to ↑ clean energy:- (1) Copper, Aluminium, Iron, Manganese, Nickel for developing solar cells, wind turbines, nuclear reactors. (2) Lithium and Graphite for storing electricity. 🤖 But India doesn't have enough of these mineral resources. (स्वच्छ ऊर्जा के साधनों और संग्रहण के लिए इन खनिजों की ज़रूरत, किन्तु भारत के पास पर्याप्त मात्रा में ये खनिज सम्पत्ति उपलब्ध नहीं)

50.5.7 ⚡📖 ES25: ENERGY Transition in 1st world nations

Year	Event
Early 1700s	Transition from wood to coal; driven by industrialization, resulting in forest loss
1946	Coal overtaken by oil and gas; fossil fuels became primary energy source
1970s	Arab–Israeli war Yom Kippur War → Arab nations block oil supply (= oil embargo) → France began oil to nuclear transition.
2022	EU introduced REPowerEU plan to reduce Russian gas reliance, after Ukraine war.
2023	US approved largest oil drilling project in Alaska
2026	AI-data centre will be consuming 6% of USA electricity.

50.5.8 ⚡📖 ES25: on energy / climate change

- India is the **seventh** most vulnerable country to climate change.
- 2024: UNFCCC summit at **Baku**, Azerbaijan- also called '**Finance COP**' (Conference of the Parties). It aimed to setup New Collective Quantified Goal (NCQG) on climate finance. But first World countries not giving enough for it.
- Vertical gardens**/ living walls / vertical greenery systems: In city area they can help in sequestering carbon, biodiversity, air quality. Can reduce heat islands
- Europe has to use gas plants because their wind turbine are not generating enough electricity.
- Solar panels** → when its lifecycle ends → recycling very difficult and expensive.
- Vegetarianism** can help reducing carbon footprint up to 2.1 tons

50.5.9 🔥🏆🛠️ Mining → Misc. Schemes, Apps, Portals, Issues

👉🧐 FAQ: **Do I've to remember all this? Ans. No. I've given to prevent your FOMO feeling from CA-PDFs/365s.** (आपको ये डर नहीं रहे कि आपके पास ही माल नहीं है इसलिए आपको यह माल दिया है. नींद खोने की ज़रूरत नहीं.)

Lakshya Bharat Portal (2021)	- Boss? Petroleum and natural gas Ministry. - This portal contains the list of items imported by Indian oil-gas company so that local manufacturing companies can explore making such
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	products domestically, to make India Atma-nirbhar / self-reliant.
Pradhan Mantri Khanij Kshetra Kalyan Yojana (2015)	- Boss? Mining Ministry. - It aims to use the funds of the DMFs to complement the ongoing union and state schemes in that district e.g. drinking water supply, health care, sanitation, education, skill development, women and child care etc.
Star Rating Of Mines, 2016	Mining Ministry → Indian Bureau of Mines gives 0-5 Star to a mine depending on whether the mining company is working without adversely affecting the social, economic and environmental well-being of present and future generation. किसी खदान की सामाजिक आर्थिक और पर्यावरणीय असर
Illegal mining गैर कानूनी खनन	It's bad for environment & Govt deprived of royalty so.... - Mining Surveillance System (MSS): satellite-based system by Indian Bureau of Mines under Mining ministry. - Khan Prahari App: Ministry's app for reporting illegal coal mining. - Sidenote: cVIGIL App: Election Commission of India's app to report violation of model code of conduct / expenditure.
TAMRA App/portal	Mining ministry's TAMRA App/portal for helping the businessmen to bid in mining auctions online (2017) (ऑनलाइन तरीके से नीलामी में हिस्सा लेने के लिए)
PRAKASH Portal (2019) रेलवे द्वारा कोयले का परिवहन	⇒ PRAKASH (Power Rail Koyla Availability through Supply Harmony) portal launched jointly by Power Ministry and Coal Ministry ⇒ To connect the Coal mining companies, Railways and Thermal Power Plants on a single platform = better supply chain management.
Satyabhama Portal (2020-Jun)	Mining Ministry's portal for mining related research, science & technology. Satyabhama = wife of Lord Krishna. (खनन के साथ जुड़ी संशोधन विज्ञान प्रौद्योगिकी)
CIMS and AIMS	Mining Ministry's online "Aluminium Import Monitoring System" (AIMS) & Copper Import Monitoring System (CIMS)
Pollution By mining खनन द्वारा प्रदूषण	- Red Mud is a solid waste generated during the Bauxite to aluminum production process. Ministry of Mines making efforts to utilize red mud in cement and ceramic etc industries. - Fly Ash is the pollutant generated by Thermal Power Plants while burning coal. Can be used in making cement, Bricks, Tiles, roads. Power ministry launched ASH TRACK Mobile App to monitor fly ash

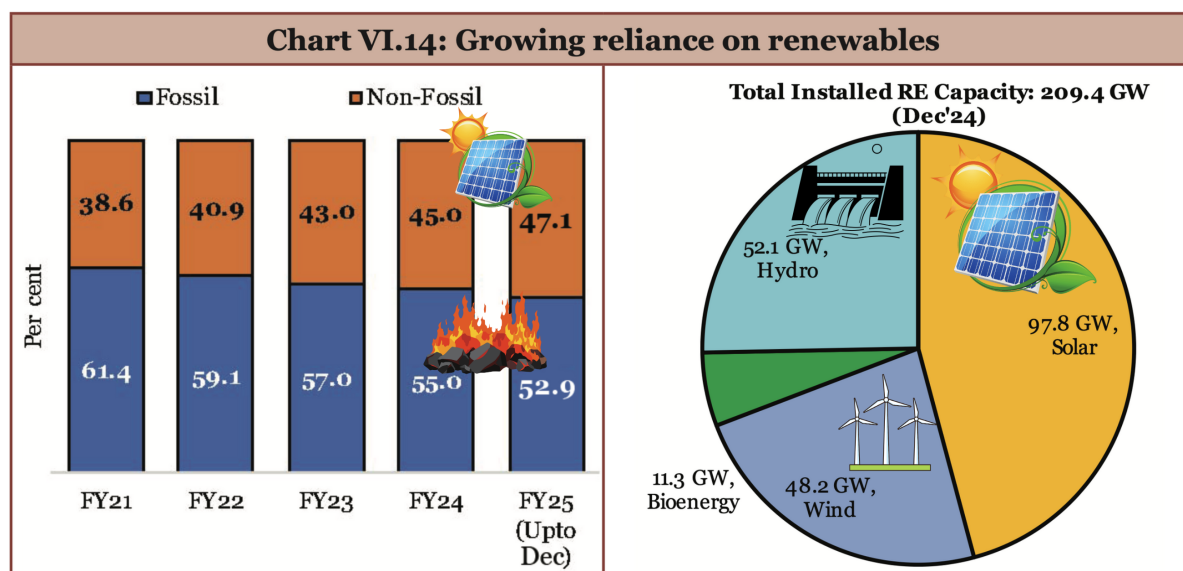
51 INFRA → ENERGY → ELECTRICITY (ऊर्जा → विद्युत)



- (Origin) Electricity is a key element in modern day life. Right from running irrigation pumps to charging mobile phones, electricity is a prerequisite for agricultural growth and digital connectivity. (बिजली है आधुनिक जीवन का अनिवार्य हिस्सा - चाहे कृषि सिंचाई हो या मोबाइल फोन संचार)



- **1897:** Electricity supply starts in Darjeeling, **1902:** Hydro powerstation at Shivasamudram in Karnataka. In the pre-Independence era, the power supply was mainly in the private sector, that too restricted to the urban areas. (बिजली का धंधा निजी कंपनियों के हाथ में था, और ज्यादातर शहरों तक सीमित था।)
- (**Significance**) Greater access to energy improves both economic growth & human development of a country. If India wants to improve its Human Development → we must ↑ per capita energy consumption by 4x times. (मानव विकास को बेहतर करने के लिए प्रति व्यक्ति ऊर्जा खपत बढ़ानी होगी)
- (**DATA**) India's per-capita energy consumption of only ~1/3rd of the global average. OR Though India accounts for ~18% world's population, it uses only around 6% of world's energy.
- (**DATA**) India is the 3rd largest consumer of energy resources in the world, next only to USA and China. It is also the 3rd largest importer of crude oil and 4th largest importer of LNG in the world as per India Yearbook 2023.



51.1.1 Electricity generation in terms of company ownership

Owned by Union	Owned by State	Owned by private sector	Total generation
25%	26%	49%	= 100%

51.1.2 [Yearbook] Ministry of Power (विद्युत-ऊर्जा मंत्रालय)

Dept & Attached	N/A but they've truckload of other bodies & apps:
Statutory Bodies	⇒ Joint Electricity Regulatory Commission (JERC) for UT of J&K & Ladakh ⇒ Central Electricity Authority (CEA: केन्द्रीय विद्युत प्राधिकरण): prescribes the standards for construction of electrical plants, electric lines etc. ⇒ Central & State Electricity Regulatory Commissions (विद्युत नियामक आयोग) for fixing the electricity tariff (prices). ⇒ Appellate Tribunal for Electricity (APTEL), Bureau of Energy Efficiency (BEE) ; ⇒ Damodar Valley Corporation (DVC); Bhakra Beas Management Board ⇒ Joint Electricity Regulatory Commission (JERC) for GOA & UTs ⇒ JERC for Manipur and Mizoram
Autonom	Central Power Research Institute, National Power Training Institute
CPSE	– National Thermal Power Corporation (NTPC)



सरकारी कंपनी	- National Hydroelectric Power Corporation (NHPC) - SJVN Ltd: Satluj Vidhyut (GoI 62%, Himachal 27%, rest % with other investors) - Power Finance Corp (PFC), Power Grid Corporation of India (POWER GRID) - Power System Operation Corporation Limited (POSOCO) - EESL- Energy Efficiency Services Limited- joint venture of NTPC Limited, PFC, REC and POWERGRID- known for its subsidized UJALA LED bulbs - (*) THDC India Limited: Tehri Hydro (GoI: 75%, UP State:25%) - (*) Rural Electrification Corporation (REC)- known for DD Gram Jyoti. - (*) North Eastern Electric Power Corporation (NEEPCO)
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(*) means approved for strategic disinvestment (=privatization) in 2019

51.2 🧑🏠🔌 NATIONAL ELECTRICITY DISTRIBUTION COMPANY

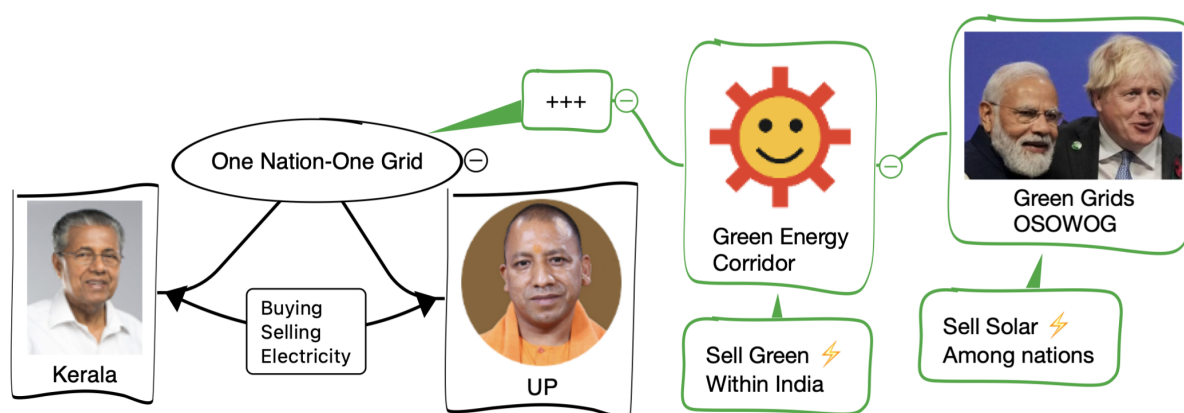
- PM Modi had announced 24x7 power to all by **2022**. But, since private and State-Government owned electricity distribution companies are suffering NPA/debt issues, the electricity distribution sector is not expanding fast enough to achieve this target.
- So, 2019-June: NTPC and Power Grid Corporation of India have formed a 50:50 joint venture company → named National Electricity Distribution Company.
- **Objective?** electricity distribution business on a pan-India basis.

51.2.1 🧑🏠🔌 IEX = Current-PDF-walla gone crazy



A private sector company: Indian Energy Exchange Limited (IEX) 🙌 this GK very poor cost benefit for exam, But CA-PDF walla gone crazy. #🕒थोड़ा-पढ़ो-आगे-बढ़ो

51.3 🧑🏠⚡🇮🇳 ELECTRICITY → ONE NATION-ONE GRID



- Initially, individual states' electricity grids (बिजली ग्रिड) were interconnected to form 5 regional grid regions namely **Northern, Eastern, Western, North Eastern & Southern region**. If a state had surplus electricity, it could sell **ONLY** to other states in that region.



- So, One Nation-One Grid concept aims to connect all 5 regional grids into one national grid so, electricity can be transferred from surplus region to deficient region.
- Here buying-selling of surplus electricity is done through power exchanges like —Power Exchange of India (PXIL) and India Energy Exchange (IEX).
- **Boss?** Power ministry → Power Grid Corporation of India Limited.

51.3.1 Grid → Green Energy Corridor Project (हरित ऊर्जा गलियारा परियोजना)

- Project will enable the flow of renewable energy into this National Grid Network. So that renewable energy rich States like Rajasthan (solar), Tamil Nadu (wind) can sell the electricity to other states. (एक राज्य की हरित बिजली अन्य राज्यों को मुहैया/उपलब्ध की जा सके।)
- 2022- Phase-II of the scheme started. Union govt to give 33% subsidy on project cost.

51.3.2 Grid → International Solar Alliance (ISA) GREEN Grids / OSOWOG

- 2018: India had first proposed connecting solar energy supply across borders at the International Solar Alliance (HQ: Gurugram, India).
- ISA has 120+ members as of 2025. - ISA has launched/will launch (i) Green Grid Initiative (GGI) / One Sun One World One Grid (OSOWOG) (ii) a Sun Charter (ii) World Solar Bank.
- One Sun One World One Grid launched on the sidelines of the COP26 Glasgow summit in UK.
- To connect renewable energy grids across borders. (विभिन्न देशों के बीच हरित ऊर्जा /बिजली को जोड़ा जाए)
- 🤝 (Benefit) If the countries in different time zones are connected then they can continue to work on solar energy even after the sun is set in their own country. (ताकि एक देश में अगर सूर्यास्त भी हो जाए, तो भी दूसरे देश की सौर ऊर्जा से उसका काम चलता रहेगा)

MCQ. Find correct about International Solar Alliance? (UPPSC-2025)

1. It is the first treaty based Inter-governmental org headquartered in India with 38 member countries.
2. World Solar Bank and One Sun One World One Grid Initiative were initiated under it.

Code: (a) Only 2 (b) Neither 1 nor 2 (c) Both 1 and 2 (d) Only 1

51.4 ELECTRICITY → POWER MINISTRY'S APPS/PORTAL OVERDOZE

Garv, Deep, Tarang, National Power Portal (NPP) etc. Basically to monitor electricity data.

51.5 ELECTRICITY → INTEGRATED POWER DEVELOPMENT SCHEME

शहरों में बिजली उपलब्ध बेहतर करने के लिए एकीकृत बिजली विकास योजना

- **Boss?** Ministry of Power (2014). Central Sector Scheme = 100% funded by Union.
- **Target?** To strengthen power infrastructure, especially in urban areas.
- **How?** All Electricity Distribution Companies (**Discoms**: बिजली वितरण कंपनियां) are given ₹ ₹ assistance for improving distribution network, installing ICT enabled **smart meters** for billing and collection. Install solar panels if not possible to join an area with grid.

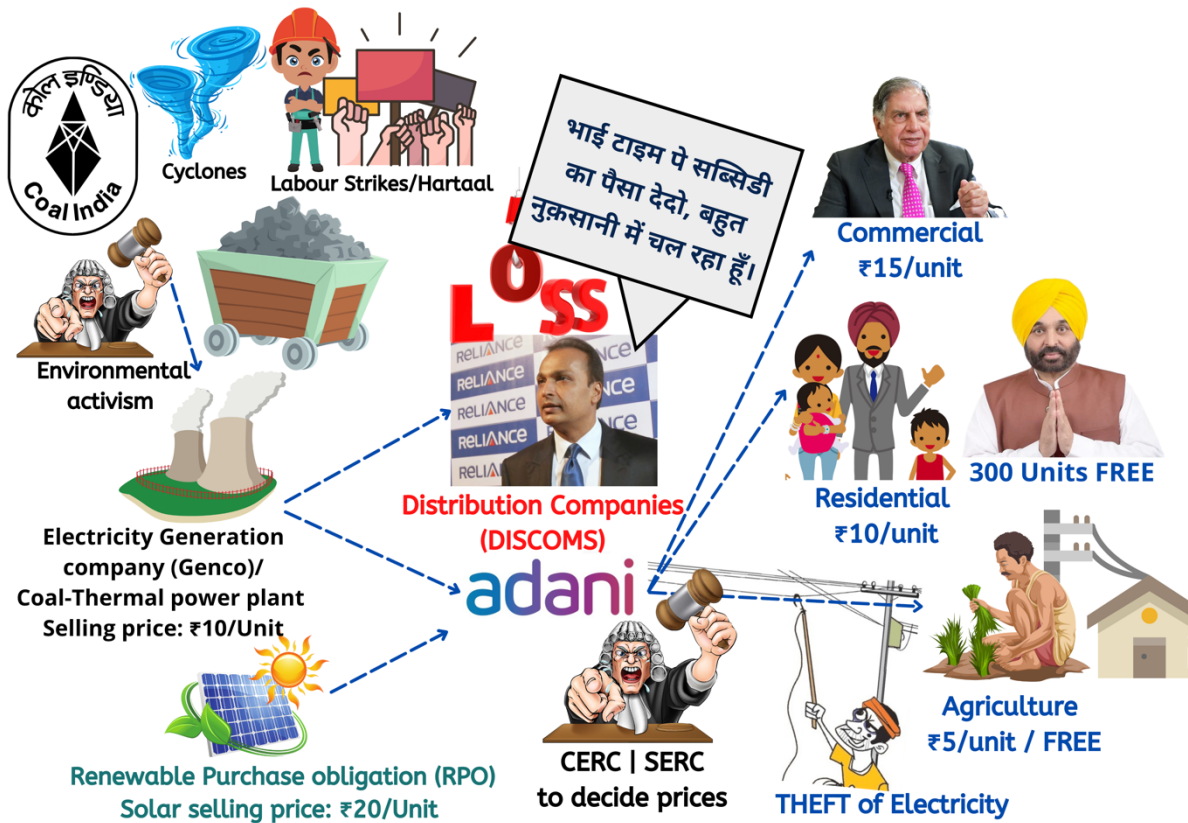
51.5.1 Electricity → Prepaid Smart Meters for Electricity

- ⇒ A smart prepaid meter has an internet modem. Electricity co can remotely connect, supply the electricity as per amount of ₹ ₹ balance left in the device (similar to a prepaid mobile talktime).
- ⇒ Electricity usage data collected in a server → ↓ scope of electricity theft by tempering with the meter box. (मीटर से छेड़खानी मुमकिन नहीं)



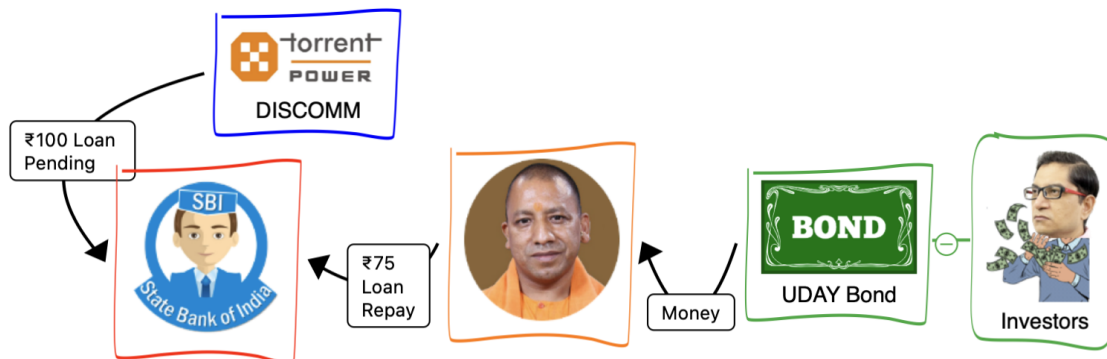
⇒ Budget-2020: We'll replace conventional meters by prepaid smart meters in the next 3 years.

Note: Prices quoted in above chart are only for illustration, they may not be real/accurate.



51.6 ELECTRICITY: NPA SOLVE → UDAY (2015)

(राज्य सरकारों तुम बिजली कंपनियों का बैंक कर्ज भरो योजना)



⇒ (if States do above thing) → Union will give them extra ₹ for Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY), Integrated Power Development Scheme (IPDS), and other such schemes of (1) Ministry of Power and (2) Ministry of New and Renewable Energy.

⇒ By 2019-20, first phase completed. Data showed that scheme failed to completely solve the problem of the electricity companies.

⇒ Then power minister said we will launch UDAY 2.0 scheme with better features but no development yet. [पहले चरण में कुछ खास सफलता हासिल नहीं हुई हालाँकि दूसरा चरण शुरू करना बाकी है]

51.7 ELECTRICITY (AMENDMENT) BILL 2022 (बिजली सुधार विधेयक)

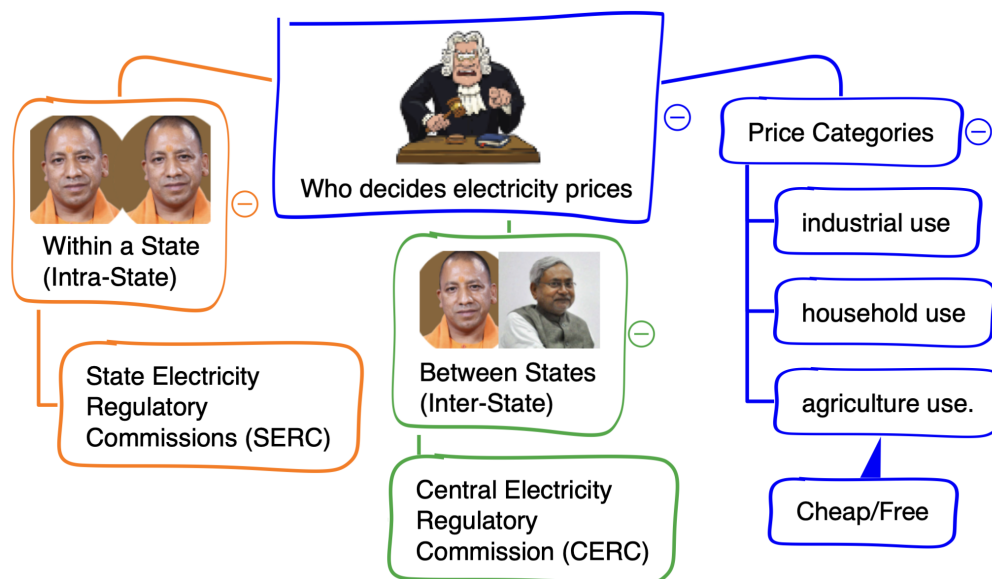
⇒ electricity is mentioned in the Concurrent List.



- ⇒ So, Both Parliament and state legislatures can frame laws on electricity.
- ⇒ In case of a conflict between two laws, Union law will prevail.
- ⇒ In real life the responsibilities have been divided in such manner that:

👤 ♂ Union looks after	👤 🇮🇳 States look after
electricity supply chain electricity generation electricity transmission	electricity distribution

ELECTRICITY (AMENDMENT) BILL, 2022 aims to amend *the Electricity Act, 2003*. But it is mostly in negative news. Presently faded / low-profile topic so I'm deleting its short-note from handout.



51.7.1 ⚡👤⚖️ Electricity (Rights of Consumers) Rules, 2020: बिजली उपभोक्ता अधिकार नियम

- ⇒ Power ministry announced them under the Electricity Act 2003.
- ⇒ It requires the electricity distribution companies to provide 24/7 Electricity, Grievance redressal and penalty/compensation mechanism etc to consumers. (ग्राहकों को 24 घंटे बिजली का अधिकार)
- ⇒ Although Electricity Commission may specify less hours of supply for some categories e.g. agriculture (Else it may result in over-exploitation of groundwater)
- ⇒ 🤑 **Benefit?** Electricity distribution companies have become “monopolies” for a particular city because consumers have no alternative to buy electricity from other companies, even if they are unhappy with the service. So, govt deemed it necessary to provide such rights to customers. (सामान्य रूप से 1 शहर में एक से ज्यादा बिजली कंपनी नहीं होती इसलिए एक प्रकार से उनका एकाधिकार चलता है। इसलिए ग्राहक शिकायत निवारण तंत्र की स्थापना की जाएगी)

51.7.2 ⚡⚡💰 Time-of-Day (ToD) tariff for electricity use.

- By the power ministry using the provisions under Electricity (Rights of Consumers) Amendment Rules, 2023
- Makes rules for different electricity price based on time of the day. (दिन के समय अनुसार बिजली का भाव/कीमत कम या ज्यादा होगी)

Time of the day	💰 electricity price
☀️ Normal sunny day	Price need to be 20% less than normal price



Peak hours (e.g. evening)	Price cannot be more than 1.10 to 1.20x times than normal price (depending on customer type).
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Note: In the taxi, there is similar concept called “surge price” e.g. during the evening hours when everyone is going from office to home, taxi operator, increase the price per kilometer.

51.7.3 ⚡ Govt electricity rules for faster connection (2024-Feb)

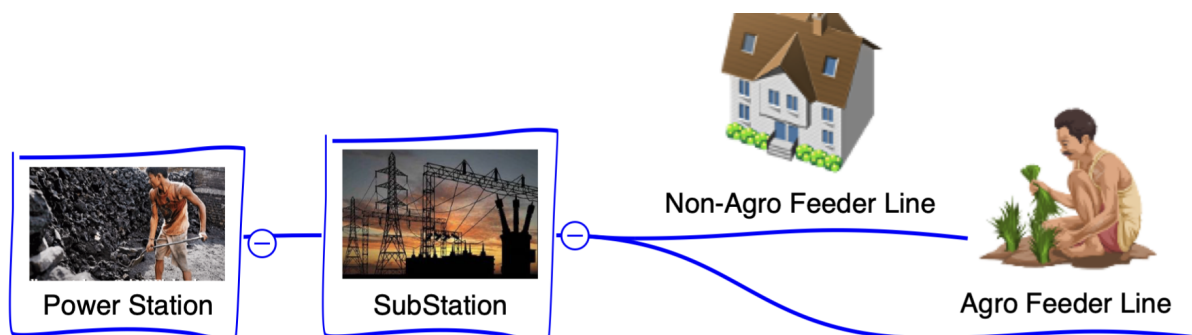
- Boss? Power Ministry → Electricity (Rights of Consumers) Rules
- Consumers can now obtain separate electricity connections for charging their electric vehicles (EVs).
- Reduces time period for obtaining a new electricity connection. (How-Not imp)
- Updated technical rules for installing rooftop solar systems easier and faster.
- New term: “**prosumers**” = to consumers who would also produce electricity through rooftop solar system.
- If consumers raise complaints about meter reading not matching with their actual electricity consumption, the distribution company will have to install new additional meter.

51.7.4 ⚡📱 India Energy Stack (IES) a UPI-like tech 4Energy by Nilekani Taskforce (2025)

- India Energy Stack (IES) will issue unique ID numbers for powerhouses, consumers etc.
- IES will create digital ecosystem to help buying, selling and monitoring of electricity.
- Power ministry setup **Nandan Nilekani** Taskforce (2025) ➡ then, REC Ltd, a government company will implement it.

51.8 ⚡👤🔌 ELECTRICITY → DEEN DAYAL GRAM JYOTI YOJANA (2015)

(गांव वालों को बिजली कनेक्शन दिलवाओ योजना)



Lack of rural lighting= ↑ use of kerosene lamps → ↑ pollution, import bill, subsidy bill. So, PM Manmohan’s Rajiv Gandhi Grameen Vidyutikaran Yojana → Modi restructured as DDUGJY.

⇒ **Boss?** Ministry of Power → Rural Electrification Corporation-REC (2015)

⇒ Central Sector Scheme = 100% funded by Union.

⇒ **Target?** 24×7 uninterrupted ‘metered’ electricity supply to each rural household by 2022, by doing following →

- ⇒ 1) Separate feeder lines for rural households vs agricultural use. (कृषि और ग्रामीण रिहायशी के लिए दो अलग अलग संभरक लाइन) 2) Strengthen sub-transmission and distribution network to reduce power losses. 3) Install electricity meters.

MCQ. Find correct about Deendayal Upadhyaya Gram Jyoti Yojana? (GPSC-2025)



1. To separate agriculture and non-agriculture feeders for judicious rostering of supply to agricultural and non-agricultural consumers in rural area
2. Strengthening and augmentation of sub-transmission and distribution infrastructure in rural area
3. Metering in rural area. Codes: (A) Only 1 (B) 1 and 2 (C) 2 and 3 (D) 1, 2, and 3



51.9 ⚡👤🔌 ELECTRICITY → PM SAHAJ BIJLI HAR GHAR YOJANA (SAUBHAGYA) (गांव वालों को बिजली कनेक्शन दिलवाओ योजना)

Boss? Ministry of Power → Rural Electrification Corporation-REC (2017)

Target	⇒ To give electricity connections to all remaining un-electrified households in rural and urban areas. To provide 24x7 power supply for all
How?	⇒ SECC-2011 → identify beneficiaries, → free electricity connection with meter. ⇒ If a household in remote area → not possible to join with grid connected electricity lines → then solar cell, DC battery pack, LED lights will be given.

51.9.1 ⚡👤🔌 Revamped Distribution Sector Scheme (2021-June) [पुरानी विद्युत योजनाओं के ऊपर छतरी योजना]

Boss? Power ministry with >₹3 lakh cr funding. - it will act as an 'umbrella scheme' subsuming previous schemes:

- ⇒ Deen Dayal Upadhyaya Gram Jyoti Yojana [DDUGJY] / SAUBHAGYA = for improving the electricity supply in rural area. (गाँवों के लिए)
- ⇒ Integrated Power Development Scheme (IPDS) = for electricity supply in urban area. (शहर)
- ⇒ Prime Minister's Development Program (PMDP) = for electricity infrastructure in Union Territories of J&K and Ladakh (जम्मू कश्मीर और लद्दाख के लिए)
- ⇒ 📊 ES22: thanks to all these initiatives, 96% Indian families have electricity connection.

51.9.1.1 ⚡👤🔌 RDSS: Features?

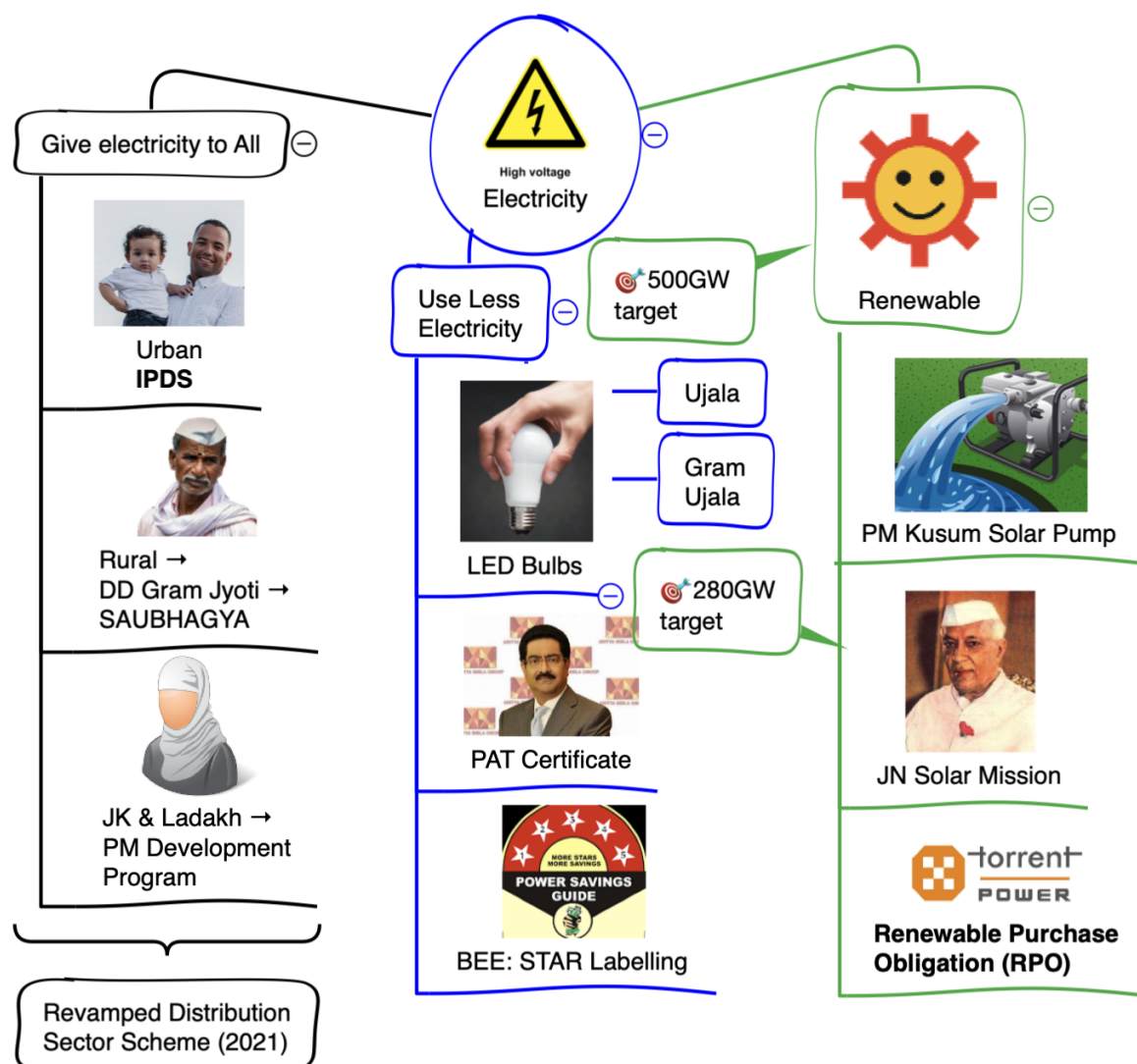
Basically the similar features like the previous schemes like DDUGJY, IDPS etc i.e.

- ⇒ Separation of Agriculture feeder lines. [कृषि उपयोग की बिजली के लिए अलग तार बिछाई जाएगी]
- ⇒ Solarization of electricity feeder lines under KUSUM = Basically, farmer can sell the excess electricity from their solarplant to electricity company → extra income for farmer! [कुसुम योजना में किसान ने जो सूर्य ऊर्जा से बिजली बनायी है उसे वो बिजली कंपनी को बेच पाएगा]
- ⇒ Smart electricity meters will be installed [for all users other than agriculture] → electricity consumption level will be monitored through artificial intelligence (AI) → power outages solved in a faster manner. Government will give upto 15-50% subsidy to DISCOM companies,



depending on performance & gen-vs- sp.category state. [कृषि के अलावा वाले ग्राहकों के ठिकानों पर स्मार्ट बिजली मीटर लगाए जाएंगे जिसकी कृत्रिम बुद्धिमत्ता से निगरानी होगी, ताकि बिजली कटौती का तुरंत उपचार हो सके]

- ⇒ modernisation of state-level electricity distribution infra. [राज्य स्तर पर बिजली अवसंरचना का आधुनिकीकरण]
- ⇒ Special focus/ extra funding for special category states. Furthermore, UT JK, Ladakh, Andaman & Nicobar Islands, and Lakshadweep Will also be considered under “special category states” [So, they can also get extra funding] [विशेष श्रेणी के राज्यों को अतिरिक्त पैसा देंगे]
- ⇒ Annually the electricity distribution companies [DISCOMs] will be reviewed for their performance. ONLY If a DISCOM scores minimum 60% marks in performance review= Will be given government funding. [जो बिजली कंपनी प्रदर्शन मानकों पर कम से कम 60 प्रतिशत गुण सालाना हासिल करेगी, उसी को सरकार पैसा देगी]



AB CD ? Saubhagya, a Govt Scheme, relates to which of the following areas? (UPSC-CDS-i-2020)

- a) Achieving universal household electrification
- b) Providing clean cooking fuel to poor households
- c) Rationalizing subsidies on LPG
- d) Stopping female foeticide

AB CD ? SAUBHAGYA, a Central Government scheme, is related to (UPSC-CAPF-2020)

- (a) providing cash money to women giving birth of single female child
- (b) connecting kitchen of every household with piped cooking gas



- (c) strengthening and augmenting infrastructure for piped water supply
- (d) achieving universal household electrification in the country

^SEE basically same MCQ reused/recycled in two different exams of UPSC

51.10 ELECTRICITY → USE 'LESS' → ENERGY EFFICIENCY

The term energy efficiency means using lesser amount of energy to produce a given amount of output. E.g, a light-emitting diode (LED) light bulb requires ↓ energy than an incandescent light. Thus LED is more energy efficient than incandescent lights. (ऊर्जा दक्षता: कम ऊर्जा से ज्यादा प्रकाश या उत्पादन)

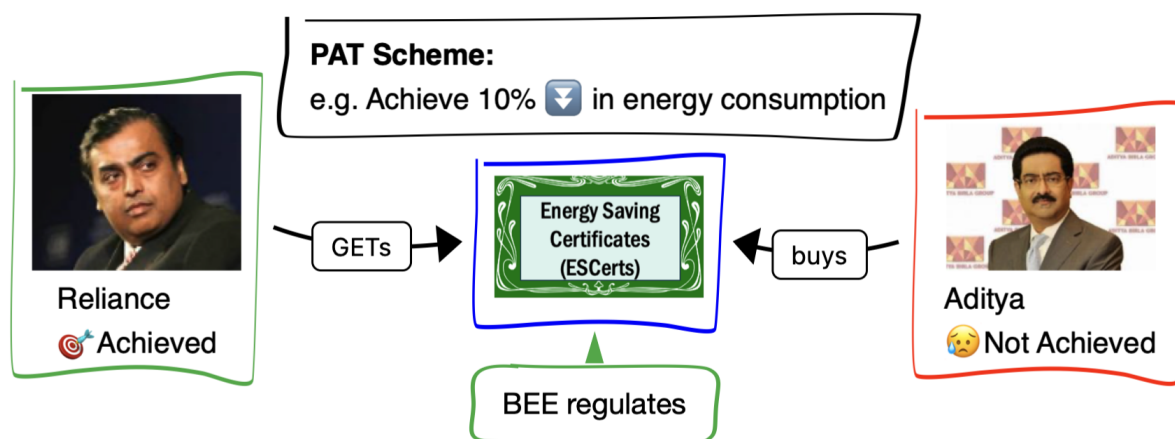
51.10.1 Electricity → Use 'Less' → PAT Mechanism

(बिजली खपत कम कर के सर्टिफिकेट से पैसा कमाओ योजना)

2008: Environment Ministry's National Action Plan on Climate Change (NAPCC: जलवायु परिवर्तन पर राष्ट्रीय कार्य योजना) One of its 8 components is National Mission for Enhanced Energy Efficiency (NMEEE: वर्धित ऊर्जा कार्यक्षमता का राष्ट्रीय नियोग) → PAT.

Boss? Power Ministry → Bureau of Energy Efficiency (BEE).

- ⇒ Under Perform Achieve and Trade (PAT: प्रदर्शन, हासिल और व्यापार करना) mechanism:
- ⇒ 8 energy intensive industries are given 'quotas' viz. Thermal Power, Aluminium, Cement, Fertilizer, Iron-steel, Pulp-paper, Textiles and Chlor-alkali.
- ⇒ They've to cut their energy consumption according to the quotas, else face penalties.
- ⇒ Overachieving firm can obtain **Energy Saving Certificates (ESCerts)** from BEE's PATNET portal and sell it to the underachieving firm (similar to PSLC certificates).
- ⇒ Central Electricity Regulatory Commission (a statutory body) regulates the prices.



51.11 GREEN CREDIT PROGRAMME

Budget-2023: we will notify a green credit programme under Environment (Protection) Act.

51.11.1 Trading: RPO, PAT, CCTS, GCP

Year	Scheme	Objective	Compulsory?	Ministry
2014	Renewable Purchase	requires electricity	Yes, under Electricity	Ministry of New &



Year	Scheme	Objective	Compulsory?	Ministry
	Obligation (RPO)	companies to buy some of the electricity from renewable sources.	Act, 2003.	Renewable Energy (MNRE)
2012	Perform, Achieve and Trade (PAT) [Legal-Compulsory]	for reducing energy use in large industries.	Yes under Energy Conservation (EC) Act, 2001.	Power Ministry
2023- June	Carbon Credit and Trading Scheme (CCTS)	(1) To replace PAT scheme* (2) To reduce GHG emission	Yes under Energy Conservation (EC) Act 2001 (its 2022-Amendment)	Power Ministry
2023- Oct	Green Credit Program (GCP)	For activities that help environment e.g water saving, waste management.	Voluntary, under PM Modi's Mission-LIFE	Environment Ministry

51.11.2 🌱💰 Difference between GCP and CCTS

Matter	Carbon Credit and Trading Scheme (CCTS)	Green Credit Program (GCP)
Compulsory?	Legally required on specified industries under Energy Conservation Act.	Voluntary under PM-Modi's Mission-LiFE
Ministry?	Power Ministry	Environment Ministry
Regulator?	Central Electricity Regulatory Commission (CERC)	N/A bcoz Voluntary under
Administrator?	1) Bureau of Energy Efficiency (BEE, under Power Ministry) 2) National steering committee headed by power secretary (IAS)	Indian Council of Forestry Research and Education (autonomous body under the environment ministry)
Objective?	Reduce GHG Emission	Beyond GHG e.g. (i) tree plantation (i) water management (ili) sustainable agriculture (iv) waste management (v) air pollution reduction (vi) mangrove conservation(vi) ecomark label development (vii) sustainable building and infrastructure
Certificate?	1 Carbon Credit = ton of carbon dioxide equivalent (tCO ₂ e)	Administrator will decide.



51.11.3 🌱👤 National Designated Authority (NDA) for carbon markets (2025-Aug)

- 2015 Paris Agreement requires every member country to setup National Designated Authority (NDA) for carbon markets ➡ 2025: Environment Ministry announced NDA.
- **Boss?** Secretary of the Environment Ministry (usually IAS). Members from the Ministry of External Affairs, Renewable Energy, Steel Ministry, NITI Aayog, etc total 21 members.

51.11.4 ⚡💡📡👤👤 Electricity → Use 'Less' → National LED Programme

Boss? Power Ministry gives ₹ ₹ to Energy Efficiency Services Ltd (EESL) for:

- **Unnat Jeevan by Affordable LEDs and Appliances for All (UJALA)** for subsidized home Light-emitting Diode (LEDs) bulbs. Previously called DELP (Domestic Efficient Lighting Program).-
- **Street Lighting National Program:** whereas EESL replaces conventional Halogen Street Bulbs with LED street bulbs, free of cost.

51.11.5 ⚡💡📡👤👤 Electricity → Use 'Less' → Gram Ujala Programme

Boss? Ministry of Power → its company Energy Efficiency Services Limited (EESL) → its company Convergence Energy Services Limited (CESL).

- **What?** Exchange villagers' yellow bulbs with LED bulbs i.e. Villager submits working incandescent (Filament-walla yellow) bulbs → plus pays ₹10 = gets LED bulb with 3 years warranty. Maximum quota=5 LED bulbs per villager. (गाँव वालों को उनकी फ़िलामेंट बल्ब की एक्ज में LED बल्ब सस्ते में दिए जाएंगे.)
- **Benefit?** a 12 Watt LED bulb = light of 100 watt incandescent bulb so ↓ Energy bill for villager, ↓ CO2 Emission from Thermal power plants, ↓ Waste generation (LED bulbs have longer lifespan than incandescent).

51.11.6 ⚡💡📡👤👤 Electricity → Use 'Less' → Misc. Schemes & Topics

ESCO Company	👤👤 Budget-2022:- We'll setup an Energy Service Company (ESCO) to promote energy efficiency in large commercial buildings
AJAY	Atal Jyoti Yojana (Ajay): FREE Solar Street Light with LED in 1. Special category states 2. 5 states - Assam, Bihar, Jharkhand, Odisha and Uttar Pradesh. 3. NITI-ayog-walle Aspirational districts in other states 4. Andaman Nicobar and Lakshadweep Funding: MNRE 75% + 25% from MPLADS of given constituency.
SAATHI	- Ministry of Power and Ministry of Textiles give money to Energy Efficiency Services Limited (EESL) → give energy efficient instruments to small and medium Powerlooms to reduce their energy consumption.
Star Label	To help the customer to use energy efficient appliances. 📄 Refer BEE in Pillar #4B
Smart Electricity Meters	Ministry of Power → Energy Efficiency Services Ltd. (EESL) helps DISCOMs to install Smart Electricity Meters. 🤖 Benefits? IT enabled monitoring, no need to manually read the meters, power theft difficult etc.
FCI	- Since 2019: Govt allowed ethanol production from surplus rice/maize available with the Food Corporation of India (FCI). (More in 📄 Pillar#4A)



UNNATEE	⇒ BEE's National strategy document 'UNNATEE' (Unlocking NATIONAL Energy Efficiency Potential) for developing an energy efficient nation (2017-2031).
SIDHIEE	⇒ Power Ministry's knowledge portal namely Simplified Digital Hands-on Information on Energy Efficiency in MSMEs for sharing best practices
Buildings	⇒ BEE's Eco-Niwas Samhita for minimum energy conservation standards in Residential Buildings. ⇒ EESL's Building Energy Efficiency Programme (BEEP) for commercial buildings

🎓 **Self Study:** Nuclear Power from Unacademy Sci/geography-Booklet

51.11.7 🌩️💡📡👩🏫 Energy → Index → Global Reports

WORLD ENERGY INVESTMENT REPORT	was released by International Energy Agency (IEA). In 2021: largest energy consumer = 1) China 2) USA 3) EU 4) India Future by 2040, = India will be @#3, and EU@#4. India's domestic oil and gas production not enough so, India's import bill will ↑ .
Global Energy Transition Index वैश्विक ऊर्जा परिवर्तन सूचकांक	⇒ World Economic Forum (HQ Geneva, Swiz)'s index to measure countries on how much CO ₂ / pollution is generated while producing energy, And whether the country is serious abt reducing it. ⇒ Ranking 2023-June: Rank#1) Sweden, 2) Denmark, 3) Norway, #67 India. (India's rank has improved in recent years.)
World Energy Transitions Outlook	⇒ by International Renewable Energy Agency (IRENA, HQ: Abu Dhabi, United Arab Emirates)
India Energy Outlook Report [भारत ऊर्जा दृष्टिकोण रिपोर्ट]	⇒ by International Energy Agency (IEA, Setup under OECD framework, HQ: Paris, France) ⇒ 2021: Largest energy consuming countries= China, USA, EU, India. ⇒ 2030=India will replace EU as 3rd largest. India's fuel import bill will become 3x in next 20 years. ⇒ [Note as per 📊📊 ES21= India is the 3rd-largest energy after USA, China. So it depends on the context of MCQ, you've to tick]
State Energy Efficiency Index	by Power Ministry's Bureau of Energy Efficiency (BEE) in association with a non-profit body called Alliance for an Energy Efficient Economy (AEEE).

51.12 🌿♻️ INFRA → ENERGY → RENEWABLE (नवीकरणीय ऊर्जा)

- ⇒ United Nations Framework Convention on Climate Change (UNFCCC)'s Paris Accord (2015) requires nations to submit their Intended Nationally Determined Contribution (INDC or NDC: राष्ट्रीय स्तर पर निर्धारित योगदान) about their global warming mitigation commitments. India's NDCs are as following (list not exhaustive):
- ⇒ by 2030, we'll ↓ emission intensity of GDP by 33-35 % from 2005 level.
- ⇒ by 2030, 40% of our installed power generation capacity shall be from non-fossil fuel sources (गैर-जीवाश्म / नवीकरणीय ईंधन स्रोत)



In this regard, Modi Govt had set a target of installing:

Type	Solar	Wind	Biomass	Small Hydro	By 2022
Gigawatts (GW)	100	60	10	5	=Total 175 GW

51.12.1 🌱♻️ PM Modi's Panchamrit @COP-26 Glasgow, UK

- ⇒ 2021-Nov: PM Modi's Panchamrit five big announcements at UNFCCC-COP26 Summit in Glasgow, UK (ग्लासगो जलवायु परिवर्तन परिषद में प्रधानमंत्री मोदी की महत्वपूर्ण घोषणाएँ) and also proposed LIFE... L, I, F, E, i.e. Lifestyle For Environment.
- ⇒ 2022: India's NDC (nationally determined commitments) updated. (राष्ट्रीय स्तर पर निर्धारित प्रतिबद्धताएँ)

Area	🎯 Target originally	🎯 Modi @Glasgow Summit (2021)	included in NDC (2022)
1) By 2030: ↑ renewable energy capacity to _ _ _ . (पुनर्नवीनीकरण ऊर्जा का उत्पादन बढ़ाया जाएगा)	450GW	500 GW	NOT included
2) By 2030: _ _ _ % non-fossil fuel energy in India's total energy production (कुल ऊर्जा में गैर-जीवाश्म ईंधन का हिस्सा)	40%	50%	Included
3) Emissions intensity= emissions per unit GDP. It will be reduced by at least _ _ _ % by the year 2030 from 2005 levels. (GDP की उत्सर्जन तीव्रता को कम किया जाएगा)	33-35%	45%	Included
4) a net-zero emissions target by 2070. means all man-made GHG emissions must be removed from atmosphere through absorption in processes like photosynthesis or physical removal (उत्सर्जन को शुद्ध रूप से 0/शून्य)	N/A	2070	Not included
5) REDUCE TOTAL projected carbon emissions by 1 bn tonnes from now to 2030. (कार्बन उत्सर्जन में 1 टन की कटौती)	N/A	2030	Not included
6) Carbon sink of 2.5-3 billion tonnes via afforestation	Yes	N/A	Yes

- ⇒ 🛒🔥 Budget-2022:- Solar Power: Target of 280 GW of installed solar capacity by 2030. We'll give Production Linked Incentive (PLI) for manufacture of solar cells (Ref:Pillar4B).

MCQ. Which are elements of India's 'Panchamrit' view on climate change? (UPSC-EPFO-2023)

- India will reach its non-fossil energy capacity of 500 GW by 2030.
 - India will meet 50% of its energy requirements from renewable energy by 2030.
- Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

51.12.2 🌱♻️👤 Energy → Renewable → [Yearbook] MNRE

Ministry of New and Renewable Energy नवीन एवं नवीकरणीय ऊर्जा मंत्रालय consists of:

Dept/Attached/Statutory	N/A or nothing MCQ worthy.
Autonomous	⇒ National Institute of Solar Energy (NISE)- Gurugram



Bodies स्वायत्त संस्थाएं	⇒ National Institute of Wind Energy (NIWE)-Chennai → they've developed the Wind Atlas of India and Solar Atlas of India . ⇒ Sardar Swaran Singh National Institute of Renewable Energy (SSS NIRE) – Kapurthala, Punjab. ⇒ National Institute of Bio Energy (NIBE), Kapurthala, Punjab.
CPSE सरकारी कंपनियां	1. Indian Renewable Energy Development Agency (IREDA)- Delhi 2. Solar Energy Corporation of India (SECI)- Delhi → It has setup India's largest Battery Energy Storage System (BESS), at Rajnandgaon, Chhattisgarh.
Portals वेबसाइट	1) India Renewable Idea Exchange (IRIX) Portal 2) Akshay Urja Portal (& magazine)

51.12.3 🌞🌿👩🏫💧 Renewable → KUSUM (Solar for farmer) 2019



Boss? Ministry of New and Renewable Energy. Kisan Urja Suraksha evam Utthaan Mahabhiyan (KUSUM) has components A, B, C but the gist of the matter is:

- ⇒ Farmers are encouraged to install Solar pump tube wells for irrigation 💧 → less diesel consumption in pumpsets.
- ⇒ Farmers, panchayats, cooperatives can install upto 2 MW renewable power plants in their barren / cultivable lands.
- ⇒ Above people can sell the excess electricity to the DISCOMS. Its price will be decided by the respective State Electricity Regulatory Commissions (SERC). → more income for the farmer.
- ⇒ ₹ ₹ Funding? Union 30%+ State 30%+ Bank Loan 30% +10% by the farmer himself= 100%
- ⇒ 🏆 **Benefit?** Diesel & Thermal electricity will ↓ → 27 million CO₂ emission reduced / per year.

51.12.4 🌞🌿👩🏫💧 Renewable → Jawaharlal Nehru National Solar Mission

2008: Manmohan → National Action Plan on Climate Change (NAPCC) with 8 missions → 2009-10: J.N. National Solar Mission (राष्ट्रीय सौर मिशन).

Original target by PM ManMohan Singh	🎯 20,000 Megawatts by 2022
PM Modi increased to	🎯 100 GW by 2022 (=1 lakh Megawatts)
👛 Budget-2022 increased to	🎯 280 GW by 2030

⇒ **Boss?** Ministry of New and Renewable Energy (MNRE)

Just like the 'Make in India' project, this is not a 'scheme' but rather a collection of initiatives in various sectors such as....यह कोई एक योजना नहीं बल्कि अनेक प्रकार की अलग-अलग पहल का समूह है

1. MNRE → SRISTI (Sustainable Rooftop Implementation for Solar Transfiguration of India) → subsidy for purchase of the solar panel and other equipment.



2. Issuing tax-free solar bonds to finance such initiatives.
3. Install rooftop solar panels in large Govt complexes/ buildings;
4. 'Building bye laws' are the construction norms set by the State Govt to ensure uniform & safe development of buildings. They'll require compulsory roof top solar in big private buildings.
5. Use wastelands to setup solar parks (बंजर भूमि पर सौर पार्क का निर्माण)
6. **Net-metering** i.e. residential and commercial customers generate their own electricity from rooftop solar power and sell excess of this solar electricity to DISCOM.
7. MNRE → NISE (National Institute of Solar Energy) → 90 days coaching skill development programme "Surya Mitra" to train youth for solar equipment installation / repair / maintenance.
8. "ARUN" Mobile app to help people install rooftop solar panels by themselves.
9. **Solar City initiative** (2012-17): 60 cities got ₹ 50 lakhs each, to replace minimum 10% conventional energy (thermal /coal) with solar in five years.
10. Amending Electricity Act for Renewable Purchase Obligation (RPO: नवीकरणीय खरीद के दायित्व) & Renewable Generation Obligation (RGO);

AB CD ? What is the minimum reduction in projected demand of conventional energy at the end of five years as per the 'development of solar cities' programme? (UPSC-CAPF-2020)

(a) 2 per cent (b) 5 per cent (c) 10 per cent (d) 15 per cent

51.12.5 🌿♻️👤🔌 Renewable → Renewable Purchase Obligation (RPO)

Applicable to? Power distribution companies, large electricity consumers and captive power plants.

- ✓ They are obliged to buy min. "X" % of the electricity from renewable energy sources. (अनिवार्य रूप से कुछ प्रतिशत नवीकरणीय ऊर्जा खरीदने का कोटा)
- ✓ This ensures solar, wind and other renewable power producers receive sufficient of consumers / market demand. This "X%" quota is decided by the MNRE.
- ✓ First time setup in 2014 (11.50%, With internal quotas for solar and non solar),
- ✓ Quota raised over years. 2018: 17%, 2019: 17.5%.....2022: 21%.
- ✓ This mechanism is called Renewable Purchase Obligations (RPOs: नवीकरणीय खरीद के दायित्व). Its prices are decided by CERC/SERC depending on whether its Interstate or intrastate sale.
- ✓ Within this RPO, is also internal quota for Hydropower Purchase Obligation (HPO).

Related? Renewable Generation Obligation (RGO: नवीकरणीय सृजन दायित्व): It requires coal based thermal plants to generate/procure "x%" of renewable energy.

51.12.6 🌿♻️👤🔌 Renewable → World's largest Hybrid renewable energy park- Khavda
Near the Indo- Pakistan border near Khavda, in Kutch, Gujarat. 30,000-MW capacity (solar+Wind) over 72,600 hectares of land give to Adani Green, Gujarat State Electricity company etc.

51.12.7 🌿☀️👤🔌 Renewable /energy Efficiency → Ranking / Portals

Table 1: Ranking is not written because either govt not updated after 2019/ or poor cost:benefit in exam

SARAL INDEX

⇒ **Who?** Jointly developed by Ministry of New & Renewable Energy



for Solar rooftop	(MNRE), Shakti Sustainable Energy Foundation (SSEF), Associated Chambers of Commerce and Industry of India (ASSOCHAM) and Ernst & Young (EY). ⇒ What? State Rooftop Solar Attractiveness Index (SARAL) ranks the States for their attractiveness for rooftop development.
SAATHEE Portal	Power ministry's portal to monitor energy efficiency in various states

51.13 🧑🌞 PM SURYA GHAR MUFT BIJLI YOJANA IN 🇮🇳 INTERIM-BUDGET-2024

Boss? MINISTRY OF NEW AND RENEWABLE ENERGY (MNRE) to install >1 crore panels and train >3 lakh people in solar rooftops.

51.13.1 🧑🌞🔪 **Loan: collateral-free low interest**

- **Loan Interest Rate** = Repo + 0.50% (presently Repo 6.50+0.50=70%)
- **Collateral?** = Not required. (कर्ज लेने के लिए कुछ भी गिरवी नहीं रखना है)

51.13.2 🧑🌞💰 **Subsidy under PM Surya Ghar Muft Bijli Yojana**

Government to give subsidy for purchase of solar panel

Capacity Range	Subsidy Percentage	Subsidy amount approx
Upto 2 kW	60%	₹30,000 (1kw), ₹60,000 (2kw)
Upto 2 to 3 kW	40%	₹78,000 (3kw)
beyond 3kw	nothing	nothing

51.13.3 🧑🌞👤 **Eligibility for PM Surya Ghar Muft Bijli Yojana**

- The applicant must be an Indian citizen.
- Must own a house with a roof that is suitable for installing solar panels.
- The household must have a valid electricity connection.
- The household must not have availed of any other subsidy for solar panel

51.13.4 🧑🌞😊 **Benefit of solar panel?**

- Households can save electricity bills
- Households can earn extra money by selling surplus power to DISCOMs
- If household installing 3KW panel & using 300 units per month → saving ₹ 15,000 in a year.

ABCD MCQ. Find correct abt 'PM Surya Ghar Muft Bijli Yojna: (IAS-2025)

I. It targets installation of 1 crore solar rooftop panels in the residential sector.

II. MNRE Ministry gives training of solar rooftop systems at grassroot levels.

III. It aims to train 3 lakh+ skilled manpower in solar sector. (Correct but tough to memorize.)

Codes: (a) I and II only (b) I and III only (c) II and III only (d) I, II and III

51.14 🚗🔪🧑🌞 ENERGY → ↓ FOSSIL FUEL USE → E20 BLENDING

On 5th June, 2021 = World Environment day, Modi released the report of Dr Rakesh Sarwal expert committee on Road Map for ethanol blending in India 2020-2025 with following recommendations:

Mixing	📖 ES22 remarked
E10	mixing/blending 10% Ethanol in Petrol. To be finished in 2022.
E20	⇒ mixing/blending 20% Ethanol in Petrol. It reduces carbon monoxide emission



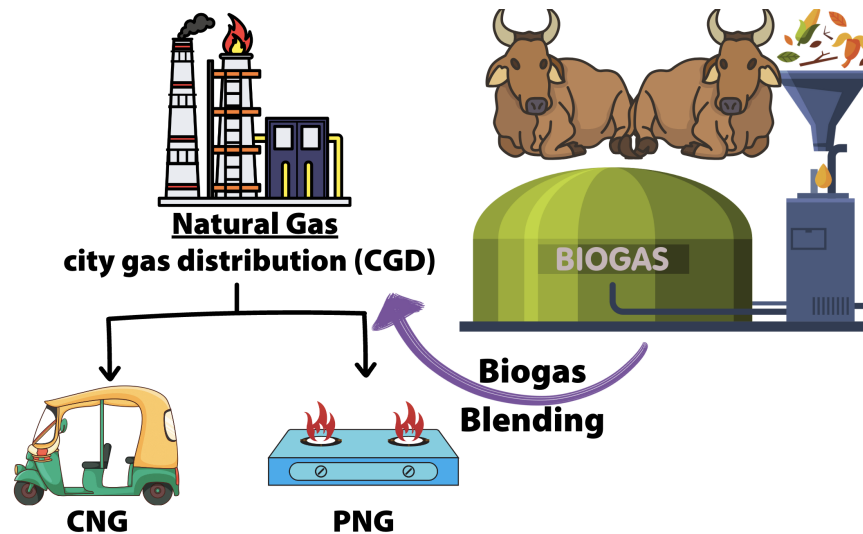
by 30-50% and hydrocarbon by 20%.

⇒ To be finished by 2025.

- ⇒ Govt is providing funds for R&D for E20 compliant vehicle engines [ऐसे वाहन इंजनों के संशोधन नवाचार के लिए सरकार पैसा देगी]
- ⇒ Tax / Subsidies for purchase of E20 compliant vehicles. [ऐसे वाहन खरीदने पर कर-रियायतें/सब्सिडी दी जाएंगी]
- ⇒ Presently India is suffering from excess supply of sugarcane and rice -so they may be diverted for Ethanol making. However rice & sugarcane are water intensive crops so in future, we should encourage Maize cultivation & non-food crop cultivation to produce ethanol. [अभी तो चावल और गन्ने की बोहोत ज़्यादा आपूर्ति/सप्लाई/ पैदावार हुई है तो उसी से ईथोनोल बना लेंगे। किन्तु ये दोनों फ़सले बहुत पानी माँगती हैं, इसलिए भविष्य में मकई तथा गैर खाद्य फसलों द्वारा एथनॉल बनाएंगे]
- ⇒ Ethanol manufacturers maybe given loan interest subsidy for setting up distilleries. [ईथेनोल फेक्टरी लगाने के लिए टैक्स सब्सिडी में मदद]
- ⇒ Ultimate goal is E100 (i.e. running vehicle completely on ethanol, without petrol) at some future.

👉 **Conclusion?** Appreciative step that will help saving Rs 30,000 crore of fuel import bill per year, energy security/self reliance, lower carbon emissions, better air quality, use of damaged/rotten foodgrains productively, increasing farmers' incomes, employment generation. [सरकार का प्रशंसनीय क़दम जिससे ईंधन आयात बिल/ चालू खाता घाटा/वायु प्रदूषण कम होगा। ऊर्जा सुरक्षा/ ऊर्जा आत्मनिर्भरता / किसानों की आमदनी / रोज़गार बढ़े। बिगड़ा हुआ सड़ा हुआ अनाज भी ईंधन बनाने में काम आएगा।]

51.15 🐄♻️🔥 BIOGAS BLENDING IN NATURAL GAS (प्राकृतिक गैस में बायो गैस का मिश्रण।)



- **Boss?** Ministry of Petroleum & Natural Gas
- Biogas is an energy-rich gas produced by anaerobic decomposition of biomass.
- It is produced from sources like agriculture residue, cattle dung, sugarcane press mud, municipal solid waste, and sewage treatment plant waste,
- Biogas can be purified by removing carbon dioxide and hydrogen sulfide → then compressed to make compressed biogas (CBG).
- CBG need to be mixed/blended with natural gas (CNG/PNG) in following ratio:

Year	2024-25	2025-26	2026-27	2027-28
blending target	voluntary	1%	3%	4%



- CBG need to be mixed with
 - with **compressed natural gas (CNG)** for vehicles
 - with **piped natural gas (PNG)** for cooking.
- Such blended natural gas can be delivered via pipelines from **city gas distribution (CGD)**

51.15.1 🍷 Benefit of Biogas blending?

- Greater use of biogas in cooking and transportation (e.g. CNG rickshaw).
- Reducing import for liquefied natural gas (LNG), saving in forex, promoting circular economy, achieving the target of net-zero emission.
- As more people shift from LPG cylinder to pipeline based gas, it will improve the logistic efficiency / reduce air-pollution (in not having to transport LPG cylinders in trucks.)

51.16 ✈️🚰♻️ SUSTAINABLE AVIATION FUEL / BLENDING TARGET

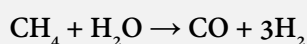
- SAF is a liquid fuel currently used in commercial aviation.
- It can be produced by mixing food waste, fats, green and municipal waste and non-food crops → convert to oil/fuel → mix with jet fuel.
- It reduces CO₂ emissions by up to 80%.

Petroleum & Natural Gas Ministry has set up following targets

- 1% SAF blending target in 2027 (Initially for International flights)
- 2% SAF blending target in 2028 (Initially for International flights)

51.16.1 Energy → ↓ ↓ Fossil Fuel Use → Green Grey & Blue Hydrogen

- ⇒ Steam methane reforming (SMR) is a process used to produce hydrogen gas from methane.
- ⇒ It involves heating methane (CH₄) with steam (H₂O) in the presence of a catalyst to produce a mixture of carbon monoxide (CO) and hydrogen (H₂).
- ⇒ This mixture of [CO+H₂] also known as synthesis gas or syngas.



	Green Hydrogen	Blue Hydrogen	Grey Hydrogen
Production Method	Electrolysis of water using renewable energy sources e.g. solar/wind etc.	SMR with Carbon capture and storage (CCS)	SMR without CCS / producing hydrogen from fossil fuel.
Carbon emissions	Zero	Low	High
Cost	Currently high, expected to decrease in the future	Moderate	Low

51.16.2 🚰🗉👤 Energy → ↓ Fossil Fuel Use → National Hydrogen Mission

- Announced by Budget-2021 and then by PM Modi on 15th August 2021 speech then Cabinet approved it in 2023. **Boss?** Ministry of New and Renewable Energy
- **Green** hydrogen=Produced from renewable energy. **Grey** hydrogen =Produced from fossil fuel. **Blue** hydrogen=Produced from fossil fuel with carbon capture and storage option.
- Goal? Green Hydrogen's production, use and export ↑ ↑ .



Target	Description
Production	5 MMT (Million Metric Tonne) from Green H2 by 2030.
Energy	125 GW from Green H2
Investment	₹8 lakh crore
Jobs	6 lakh jobs
GHG ↓	50 MMT (Million Metric Tonne) reduction in greenhouse gas emissions per year
Crude oil import ↓ by	₹1 lakh crore

51.16.3 📌🌱 Green Hydrogen Certification Scheme of India (2025).

- **Greenwashing** = company making fake claims about its product behind green/ environment friendly. (e.g. even if its not Green-H2, they'll put sticker of Green-H2 on cylinder)
- **Green hydrogen**= not more than 2 kg of CO2 emission per kg of hydrogen produced.
- Boss? Ministry of New and Renewable Energy (MNRE) has tasked Bureau of Energy Efficiency (BEE, under Power Ministry) to look after certification process.

AB CD MCQ. Find correct about National Green Hydrogen Mission? (CAPF-25)

1. The was approved by the Union Cabinet in the year 2023. (**correct but very FACTUAL**)
2. The Ministry of Environment has launched the Green Hydrogen Certification Scheme of India.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2.

51.16.4 📌🌱 Green H2: "SIGHT" Subsidy Program

⇒ SIGHT = Strategic Interventions for Green Hydrogen Transition Programme.

⇒ "SIGHT" is subcomponent of the National Green Hydrogen Mission

⇒ it provides subsidy for two activities:

- domestic manufacturing of electrolyzers
- production of Green Hydrogen.

51.16.5 📌🌱 Green H2: "SHIP" Partnership (हरित हाइड्रोजन निर्माण के लिए सार्वजनिक निजी भागीदारी)

⇒ SHIP = Strategic Hydrogen Innovation Partnership.

⇒ It is a subcomponent of the National Green Hydrogen Mission

⇒ Goal? public-private partnership for R&D in Green H2.

51.16.6 📌🔬 MAHIR Research for Energy (2023)

Mission on Advanced and High-Impact Research (MAHIR)

- ✓ **Boss?** Ministry of Power and the Ministry of New and Renewable Energy have jointly launched.

For research and development (R&D) on:

- ✓ Alternatives to Lithium-Ion storage batteries, Nano technology for EV battery
- ✓ Modifying electric cookers & pans to suit Indian cooking methods
- ✓ Solid state refrigeration., Green hydrogen for mobility (High Efficiency Fuel Cell)
- ✓ Carbon capture, Geo-thermal energy etc.

🧑🏻 FAQ: What do these terms mean? Ans. Refer to Sci/Environ courses/articles.

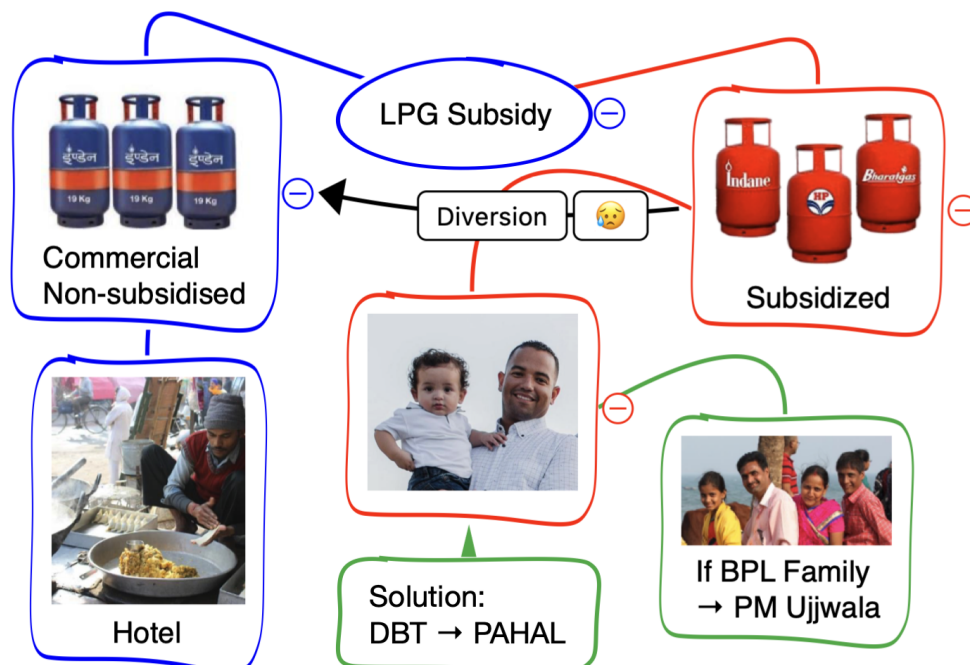


51.17 🚚👤👩 TRANSPORT → ↓ FOSSIL FUEL USE → MISC. SCHEMES

Table 2: Misc. Schemes / Initiatives related to Fossil Fuel

Methanol Economy Fund	To use 'less' petrol & diesel in transport & electricity generators: - Methanol can be generated from bio waste. It is the simplest alcohol (CH_3OH) and does not emit particulate matter (PM) / Sulphur or nitrogen pollution. - 2017: Niti Aayog proposed to setup a Methanol Economy Fund to finance R&D in this area.
PM Ji-VAN	- 2003: Oil Companies to blend upto 10% of ethanol in Petrol, by 2022. - 2019: "Pradhan Mantri JI-VAN (Jaiv Indhan-Vatavaran Anukool-fasal-awashesh-Nivaran) Yojana" - for providing ₹ ₹ to second generation (2G) bioethanol projects - Boss? Petroleum Ministry. 100% Union funded.

51.18 🚚👤👩 INFRA → ENERGY → COOKING (रसोई के लिए)



51.18.1 🚚👤👩 Cooking → Pratyaksh Hanstantrit Labh (PAHAL-2015)

Manmohan started pilot project in selected districts → 2015: Modi launched @ all India

- **Boss?** Ministry of Petroleum and Natural Gas. Central sector scheme = 100% funded by Union.
- Previously, LPG dealers would divert the subsidized LPG cylinders to restaurants → households would be deprived & forced to purchase LPG cylinder at a higher price in the black market.
- Direct Benefits Transfer For LPG (DBTL): Beneficiary buys 14.2 KG LPG cylinder at market price (e.g. ~₹850), Petroleum min transfers subsidy amount (~₹ 290) in his bank account linked with his customer ID. Similarly, 5kg LPG cylinder- then lower price, so less amount of subsidy.
- **Guinness Book of World Records** says it is the largest direct benefit transfer scheme.

Who is not eligible for subsidy? (1) Restaurants / commercial enterprises; (2) A person with taxable income more than ₹ 10 lakh and their husband/wife.) (3) after 9th cylinder per year.



Year	b4-2014	2018	2020-21	2025
Market Price of Cylinder	₹1241	₹941	₹885	₹850
MINUS Subsidy	-₹800**	-434	0 🤔👉 (PAUSED in Corona)	₹300
Effective Price for Customer	₹441	₹507	₹885	₹650

**Note: before 2014 = UPA/Congress Govt paid subsidy to Cylinder company (not to customer)

MCQ. Find correct about PAHAL subsidy (GPSC-2025)

1. The government introduced well-targeted systems of subsidy to LPG consumers through PAHAL
2. PAHAL has entered into Guinness Book of World Records as being the largest direct benefit transfer scheme. **Codes:** (A) Only 1 (B) Only 2 (C) Both right (D) Neither right

51.18.2 🍳🔥👩🍳👩🍳👩🍳 Cooking → Pradhan Mantri Ujjwala Yojana 1.0 (PMUY)



Ordinarily, a customer has to pay ~₹ 1000+ as refundable security deposit to get the LPG connection from Oil Marketing Company (OMC: Bharat Gas HP Gas etc.).

- ✓ Scheme gives Deposit-free LPG connections + rubber tube + pressure regulator to the women of Below Poverty Line (BPL: गरीबी रेखा के नीचे) families. (Although they have to pay money for the stove and cylinders to actually start cooking.)
- ✓ The BPL families identified using SECC-2011 data. Later, beneficiary list was expanded to cover the forest dwellers, people residing in Islands etc. whose name may not be in SECC-2011 data.
- ✓ **Boss?** Petroleum Ministry pays ₹ ₹ OMC. Central Sector scheme = 100% funded by Union.
- ✓ **Benefit?** firewood/kerosene consumption ↓ = indoor pollution ↓ = health + environment :-)
- ✓ **2019: Himachal** = first state in the country to have “100% LPG gas coverage”.
- ✓ **2020: Corona Lockdown** = poor families' income ↓ , so can't afford to pay for cylinders so, PMUY beneficiaries eligible for 3 FREE LPG cylinders upto 30/June/2020.

51.18.3 🍳🔥👩🍳👩🍳👩🍳 Pradhan Mantri Ujjwala Yojana 2.0 [योजना का दूसरा चरण]

🤔 What will Beneficiary get? = 1) Deposit-free LPG connection. 2) First cylinder free 3)

Hotplate/Stove free.

⇒ Boss? Ministry of Petroleum and Natural Gas (MoPNG).

⇒ Phase1 / 1.0 = 2016. Phase-2/2.0 = 2021 onwards. [पहला चरण समाप्त । दूसरा चरण शुरू किया गया]

⇒ 2.0 = aims to cover A) poor who were not subscribed in 1.0 AND B) poor migrant workers, due to lack of address proof/documents.

⇒ Eligibility? Adult woman from – poor household, Socio-Economic Caste Census (SECC)-walle eligible households, SC, ST, Pradhan Mantri Awas Yojana (Gramin), Antyodaya Anna Yojana (AAY), Tea Garden workers, Forest Dwellers, families residing in Islands



⇒ **Benefit?** (Poor) Migrants will not be required to submit ration cards or address proof. They'll get connection based on self-declaration (गरीब प्रवासी मजदूरों निवास स्थान का सबूत नहीं देना होगा। सिर्फ स्वयं को स्व प्रमाणित करना होगा कि मैं 1 प्रवासी मजदूर हूँ।)

51.18.4 🍳🔥🍷🍷 Cooking → Kerosene subsidy stopped (2020)

⇒ kerosene is traditionally used in cooking and light. (रसोई ईंधन तथा प्रकाश के लिए केरोसीन का उपयोग)

⇒ Boss & principle is same as PAHAL-LPG. Kerosene is sold at market price → subsidy ₹ ₹ transferred to poor family's bank account. This discourages PDS shopkeeper from diverting subsidized kerosene to the rickshaw-wallas.

⇒ but govt schemes to provide electricity (SAUBHAGYA) & LPG cylinders (PM Ujjwala) to poor → so kerosene requirement ↓ (लेकिन बिजली और LPG की योजनाओं के चलते केरोसीन की ज़रूरत हुई कम)

⇒ So, from 1/3/2020: Govt stopped giving kerosene subsidy. (अतः सरकार ने केरोसिन सब्सिडी को किया बंद)

⇒ Now, kerosene is being sold @public distribution system (PDS) stores BUT with zero subsidy. (राशन की दुकानों पर केरोसिन की बिक्री जारी है किंतु बाज़ार मूल्य पर बेचा जाता है। सस्ते दाम पर/सब्सिडी के साथ नहीं बेचा जाता।)

51.18.5 🍳🔥🍷🍷 Energy → Gas → GOBARDhan (2018)

⇒ It's a sub-component of Swachh Bharat mission (Gramin).

⇒ Core Scheme = not 100% funded by Union. States also need to contribute money.

⇒ **Boss?** Dept of Drinking Water and Sanitation.

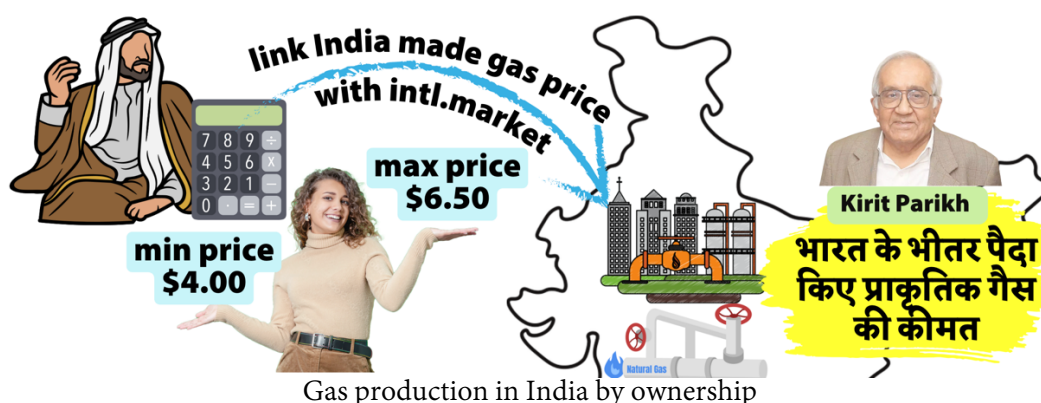
⇒ GOBARDhan scheme helps farmers & rural entrepreneurs to convert cattle dung & other biowaste to biogas and organic manure. Depending on the population of the gram panchayat, they will be given up to ₹ 20 Lakh to setup such project.

⇒ **Unified Gobardhan** = It is a web portal developed jointly by ministries of Agriculture, Animal husbandry, petroleum, Jal Shakti for above gobar / cattle dung related activities

⇒ 🍷 **Budget-2023 on Gobargas**

- - 500 new 'waste to wealth' plants to be setup under GOBARDhan scheme.
- - if a company is selling natural gas / bio gas → compulsorily mix 5% compressed biogas (CBG) in it.

51.18.6 Natural Gas Price: Kirit Parikh panel (2022-23)



Owned by govt	Owned by Pvt Sector	Total gas production
83%	17%	100%

⇒ 2014: Petroleum Ministry designed new formula for domestically produced natural gas.

⇒ 2022-23: Kirit Parikh committee report with following recommendations:



BEFORE	AFTER
Govt decided the gas price for public sector companies like Oil India and ONGC. For private sector companies, = separate formula.	Prices of domestic natural gas to be linked with international market prices
N/A	maximum price (ceiling) \$6.5 MMBtu minimum price (floor) price at \$4 per MMBtu (metric million British thermal unit)

⇒ Plus many technical reforms in the formula.

⇒ Sufficient to know that new formula likely to reduce the prices by 10% for the Indian customers for piped natural gas (PNG) and compressed natural gas (CNG)

51.18.7 📦 LPG under-recovery pe ₹ 30k cr relief to OMC against Saudi Benchmark (2025)

India's LPG cylinder price is linked to Saudi price.

LPG	Saudi (2023)	Saudi (2025)
Saudi Benchmark	\$385/tonne	\$629/tonne
Cylinder 14.2 kg (Delhi)	₹ 803	as per formula = ₹ 1028 but govt forced sarkaari-oil-cos to sell at ₹853^^

^^ Thus OMC make losses / under-recoveries. ➡ 2025-Aug: govt approved ₹ 30,000 cr compensation to the Public Sector Oil Marketing Companies (OMCs).

51.18.8 🧑🏫🔧📦 Energy → Gas → Misc. (विविध योजनाएं)

👉 FAQ: Do I've to remember all this? Ans. No. I've given to prevent your FOMO feeling from CA-PDFs/365s. (आपको ये डर नहीं रहे कि आपके पास ही माल नहीं है इसलिए आपको यह माल दिया है. नींद खोने की ज़रूरत नहीं.)

PM Urja Ganga 2016	➤ To lay down Natural Gas Grid Pipeline across 5 states, viz. UP, Bihar, Jharkhand, Odisha & W.Bengal. ➤ project is also called Jagdishpur-Haldia/Bokaro-Dhamra Gas Pipeline (JHBDPL) project ➤ The supply of such Piped Natural Gas (PNG) can help homes, hotels, fertilizer companies & electricity companies → helps creating a gas based economy.
National Gas Grid	connect all major demand and supply centres in India. → easy availability of natural gas across all regions → to achieve uniform economic and social progress.
City Compost Scheme (2016)	Ministry of Chemicals and Fertilizers pays ₹ ₹ subsidy to entrepreneurs to create compost (कूड़ा खाद) from city (municipal) waste → supply it to farmers at subsidized rate.
CBG: SATAT (2018):	- Bio-gas is produced naturally through anaerobic decomposition of agriculture residue, cattle dung etc. → purification and Compression, → Compressed Bio-Gas (CBG) with >95% pure methane. - 2018-SATAT Initiative by the Ministry of Petroleum and Natural Gas to



	promote CBG as an automotive fuel.
SAMARTH	- All thermal power plants in the country to use 5 to 10% biomass/crop-residue with coal for making electricity. Boss? Ministry of Power .
Definition: Flex Engine	- Also known as flexible-fuel vehicle / dual-fuel / Alternative fuel engine: Capable of using traditional Petrol/diesel, as well as alternative fuels such as ethanol and methanol.
Unified Gas Price System (2020)	- 2020-Petroleum and Natural Gas Regulatory Board (PNGRB) notified new tariff rules for natural gas pipelines. Basically new rules will ↓ cost of natural gas for users who are further away from sources of natural gas. Further technical details NOTIMP.#🕒थोड़ा-पढ़ो-आगे-बढ़ो

51.19 🧪⚡🌐 ENERGY INFRA → ATOMIC ENERGY

⇒ 🧪 Research reactor → produces medical isotopes → use in cancer treatment. (अनुसंधान रिएक्टर से केन्सर चिकित्सा के लिए समस्थानिक तत्व/आइसोटोप का निर्माण)

⇒ 🍌 Irradiation facilities → Food preservation. (खाद्य संरक्षण के लिए विकिरण)

51.19.1 🚫📖 ES25: Nuclear power problem

- Safety: Chernobyl Disaster (Ukraine, 1986), Fukushima Disaster (Japan, 2011)
- Uranium and nuke reactor technologies is controlled by a few countries
- Petrochemical refinery → byproduct sulphur → sulfuric acid is used for uranium extraction.
- By 2040- huge shortage of sulphuric acid → difficult to run nuclear plants.

51.19.2 ⚡💰 Budget-2024 on energy

- Nuclear energy is expected to form a very significant part of the energy mix for Viksit Bharat.
 - (1) setting up Bharat Small Reactors, (2) research & development of Bharat Small Modular Reactor, and (3) research & development of newer technologies for nuclear energy.
- Advanced Ultra Super Critical (AUSC) thermal coal power: - joint venture between NTPC and BHEL will set up a full scale 800 MW commercial plant using AUSC technology. This AUSC power plant will reduce GHG emissions by 11% than super-critical plants

51.19.3 ⚡💰 Budget-2025 on Energy / Mining / Nuke Energy

- **Clean Tech MFG:** for building solar PV cells, EV batteries, electrolyzers, wind turbines, etc.
- We'll develop 100 GW of **nuclear energy** by 2047.
- We'll amend the **Atomic Energy Act** and the Civil Liability for Nuclear Damage Act for this
- A Nuclear Energy Mission for research & development of **Small Modular Reactors (SMR)**
- least 5 indigenously developed **SMRs** will be operationalized by 2033.

52 🌧️ INFRA → WATER & SANITATION (जल व स्वच्छता)

Ref: pillar4A: Agri for irrigation and drinking water schemes



52.1 🚽👤👉 INFRA → SANITATION → SWACHH BHARAT MISSION (SBM: 2014)

⇒ (Introduction) While ancient Indus valley civilization accorded prime importance to sanitation by integrating sanitation systems into town planning. But over the ages this domain received less attention of the policy makers. As a result, even in 2012, more than 50% Indian, still practiced open defecation.

⇒ 2012: PM Manmohan launched Nirmal Bharat Abhiyan → 2/10/2014 Modi restructured as SBM

⇒ Boss? Originally, Ministry of Drinking Water & Sanitation (So Now Jal Shakti Ministry).

⇒ Core Scheme = Not 100% funded by Union (60:40 | 90:10) + Corporates' CSR funding.

⇒ 2019: Modi given Global gatekeeper award by the Bill and Melinda Gates foundation for SBM

52.1.1 🚽🎯 Target of Swachhta Diwas 2/10/2019 → Gandhi's 150th Birth Anniversary

- ✓ Open Defecation Free (ODF: खुले में शौच मुक्त) India.
- ✓ Eradicating manual scavenging (मानव मल-मूत्र को हटाने के लिये सफाई कर्मचारियों के नियोजन को खत्म करना)
- ✓ Improving Municipal Solid Waste Management (MSWM: नगरपालिका ठोस अपशिष्ट प्रबंधन)

52.1.2 🚽🎯 SBM → How to achieve targets?

1. ₹ ₹ given for building toilets in individual homes, community toilets and bathing house, Public toilets at bus station, schools, temporary construction sites [शौचालयों का निर्माण]
2. Additional ₹ ₹ for solid waste management projects- trucks, garbage disposal units etc;
3. Information Education Communication (IEC), Awareness & behavioural changes through Swachhta Doots, Social Media, posters, advertisements. [जागृति अभियान]
4. Darwaza Band: awareness campaign to ensure villagers don't defecate in the open.
5. Research Development in sanitation. [संशोधन]
6. Many mobile applications have been launched to complaint about unclean areas

52.1.3 🚽👤👉 SBM → Who implements this scheme? (कौनसा मंत्रालय करता है)

- Rural area: Dept of Drinking Water & Sanitation under Jal Shakti Ministry

- Urban area: MoHUA- Ministry of (Housing & Urban Affairs)

52.1.4 🚽 SBM Gramin Phase 2 (स्वच्छ भारत का दूसरा चरण)

⇒ It'll be implemented from 2020-2021 to 2024-2025 To ensure villagers continue to use toilets

⇒ + focus on plastic waste management, Animal waste and other bio-degradable solid waste management (जैव अपघटित ठोस अपशिष्ट प्रबंधन)

⇒ Greywater management (It is the used water from domestic sources excluding toilet wastewater)
Fecal-sludge management (मल-कीच प्रबंधन)

52.1.5 → SBM ☑ Village types

Village type	Criteria
Aspiring	Sustaining ODF status + arrangements for Solid or Liquid Waste Management
Rising	Sustaining ODF status + arrangements for both Solid and Liquid Waste Management
Model (= ODF)	Rising category + observes visual cleanliness (minimal litter, minimal stagnant



PLUS)	wastewater, no plastic waste dump in public places) + Displays ODF Plus Information, Education and Communication messages
-------	---

52.1.6 🏠 SBM- Urban 2.0 in 📅 Budget-2021

Timeline? 5 years from 2021-2026. Funding? >1 lakh cr. With following features

- ⇒ Management of faecal sludge & waste water [मल कीचड़ और अपशिष्ट जल का प्रबंधन]
- ⇒ Segregation of garbage. [कचरे का पृथक्करण]
- ⇒ Reduction in single-use plastic [एकल उपयोग प्लास्टिक में कमी]
- ⇒ ↓ air pollution from construction -demolition activities [निर्माण और विध्वंस गतिविधियों से वायु प्रदूषण]
- ⇒ Bio-remediation of all dump sites [डंप साइटों में जैव उपचारण]
- ⇒ focus on circular economy.

52.1.7 🏠 SBM Protocols (कार्यपद्धति)

Protocol	Description	Progress
ODF certified	Complete access to toilets by citizens and ensuring that nobody goes out for open defecation at any time of day or night.	4,576 ULBs
ODF+	ODF and all community and public toilets are clean, hygienic and functional while following basic cleanliness criteria.	3,913 ULBs
ODF++	ODF+ and complete faecal sludge from toilets is safely contained, transported, and treated while ensuring that no untreated sludge is discharged in the open.	1,429 ULBs
Water+	ODF++ and ensuring that no untreated liquid waste (including wastewater) is discharged without proper treatment and ensuring maximum reuse of treated wastewater.	64 ULBs

52.1.8 🏠 Sanitation → Swachh Sarvekshan by Urban Affairs Ministry

- 2024-25: (1) Ahmedabad (2) Bhopal (3) Lucknow (among the million+ population cities.)
- Furthermore they also have many sub categories of awards e.g. population less than 1 lakh, State with less than 100 local bodies, etc. you may prepare your State's ranking for interviews but for MCQ, I find poor cost:benefit in memorizing.

52.1.9 🏠 Super Swachh League (new category)

The cities who have been in top 3 in at least 2 years in the last 3 years (2021–2023)

Category	Population	Cities (list not exhaustive)
Very Small Cities	< 20,000	Panchgani, Patan
Small Cities	20,000 – 50,000	Vita, Sasvad
Medium Cities	50,000 – 3 Lakh	Ambikapur, Tirupati, New Delhi Municipal Council
Big Cities	3 – 10 Lakh	Noida, Chandigarh, Chandigarh, Mysuru, Ujjain Gandhinagar
Million Plus	> 10 Lakh	Navi Mumbai, Indore, Surat, Vijayawada



52.1.10 🏢🇮🇳🚰🚰 Sanitation → Index: Prerak Dauur Samman

- 2021: Urban Affairs Ministry introduced a new category of awards under the Swachh Bharat Mission, known as 'Prerak Dauur Samman'. It is based waste segregation, construction sector waste, landfill, sanitation etc.
- 'Prerak Dauur Samman' has 5 subcategories of awards: Divya (Platinum), Anupam (Gold), Ujjwal (Silver), Udit (Bronze), Aarohi (Aspiring).
- Latest Ranking? Poor Cost:benefit in memorizing.

52.1.11 🏢🇮🇳 Swachh Vayu Sarvekshan 2024 (Clean Air ranking)

- by Ministry of Environment, Forest and Climate Change
- Ranking? Poor cost-benefit in memorizing.
- International Day of Clean Air celebrated on **September 7**.

52.1.12 🧑🏭 Infra → Sanitation → Swachhta Udyami Yojana (2014)

Ministry of Social Justice → ₹ to National Safai Karamcharis Finance and Development Corporation → Concessional loans to Safai Karamcharis/ Manual Scavengers for →

1. Building community toilets → they can charge user fees.
2. Buying Sanitation related Vehicles → Beneficiaries can take contracts from the Municipalities for garbage collection etc. to earn livelihood.

Related Misc. schemes by above ministry: Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS) which give skill and financial assistance to them.

52.1.13 💧📖 ES25: water related portals

App/Portal	Developer	Objective
Bhu-Neer Portal	Central Ground Water Authority	Manage groundwater resources
FloodWatch India App (v2.0)	Central Water Commission	Provide real-time flood forecasts

📄 **NEXT Handout 5B:** Transport Infrastructure (Rail, Road, EV, Shipping, Aviation, Tourism)



Pillar#5B: Infrastructure- Sadak (Transport)

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53 🚢 INFRA → TRANSPORT → H₂O → INLAND WATERWAYS

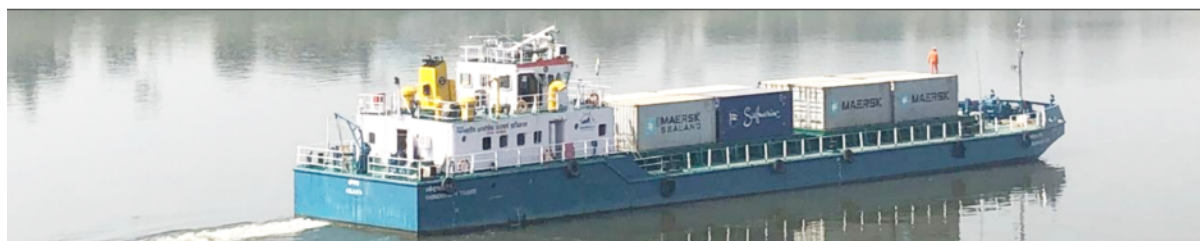
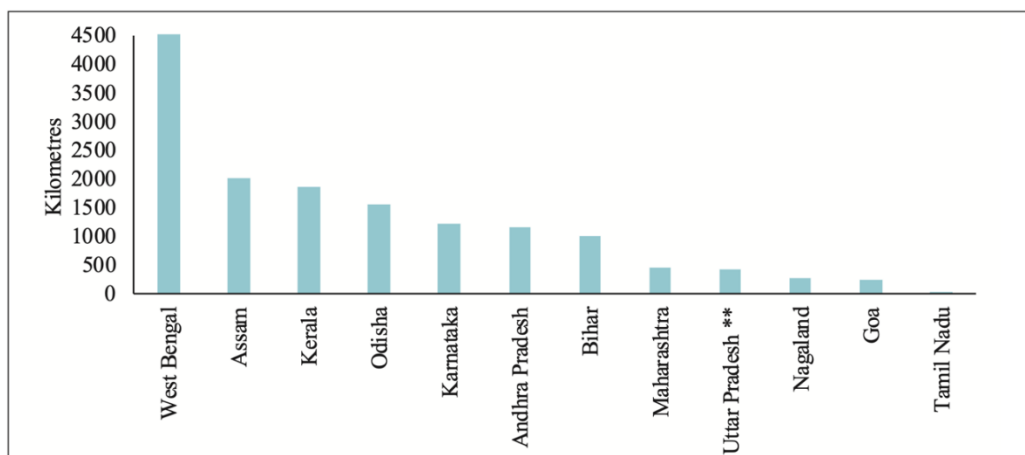


Figure XII.9: Navigable Length of Waterways in Different States



ES25: total navigable length of waterways in India is around 14,850 km. India has 26 operational waterways of more than 4,800 km.



Inland Waterways Transport (IWT: अंतर्देशीय जलमार्ग परिवहन) has following benefits →

- ✓ Lower CO₂ emissions & fuel in transporting per tonne of cargo than Rail / Road.
- ✓ IWT requires very little land acquisition (भूमि अधिग्रहण) than Rail / Road.
- ✓ IWT eases traffic congestion (यातायात जमाव/की भीड़) on Road/Rail networks.

53.1.1 🇮🇳🚢 Inland Waterways → IWAI

Inland Waterway Authority of India (IWAI: भारतीय अंतर्देशीय जलमार्ग प्राधिकरण) is a Statutory Body under Ministry of Shipping.

53.1.2 🇮🇳 Inland Waterways → National Waterways (राष्ट्रीय जलमार्ग)

- 7th Sch → Union List → Parliament can make laws on inland waterways.
- National Waterways Act, 2016: 5 existing waterways and 100+ additional waterways declared as National Waterways. 5 existing waterways are:

National Waterway No.	Length (km)	State(s)
1: Ganga-Bhagirathi-Hooghly River System (Haldia - Allahabad)	1620	U.P., Bihar, Jharkhand, W.Bengal
2: Brahmaputra River (Dhubri - Sadiya)	891	Assam
3: West Coast, Champakara and Udyogmandal Canals	205	Kerala
4: Krishna, Godavari and a few Canals	2890 (when finished)	T.N, Andhra, Telanagana
5: Mahanadi delta rivers & canals	588	Odisha, West Bengal
40: Ghagra/Saryu River. Govt planning Ramayan Cruise tour, Ayodhya	354	Uttar Pradesh

Apart from above, NW68: Mandovi (Goa), NW111 Zuari (Goa), NW97: Sundarbans and a few others are presently operational.

53.1.3 🇮🇳🚢 Inland Waterways → Jal Marg Vikas Project (2014)

NW-1 has low depth upstream of Farakka → difficult to take big vessels.

- This project aims to develop infrastructure, navigational locks to make NW1 enable commercial navigation on Varanasi-Haldia stretch of river Ganga.
- Plus, provisions for Roll on-Roll off (Ro-Ro) ferries, Digital dashboard / portals for River Information System (RIS) and Vessel Traffic Management System (VTMS) etc.
- Central Sector Scheme (0% from States) + loans from World Bank (IBRD) + PPP.
- 2018-Nov: Modi inaugurated India's first multi-modal terminal (एकाधिक मॉडल टर्मिनल) @Varanasi & welcomed the cargo ship 'MV Rabindranath Tagore' coming from Kolkata.
- Entire project will be finished by March 2023 & will help to convert Ganga into 'Arth Ganga' (River of wealth)

Side Note: Same Varanasi also designated as India's first 'freight village (माल गांव)' i.e. an area where national and international cargo operators carry out their activities.

53.1.4 💰🚢 Arth-Ganga (2022-Aug)

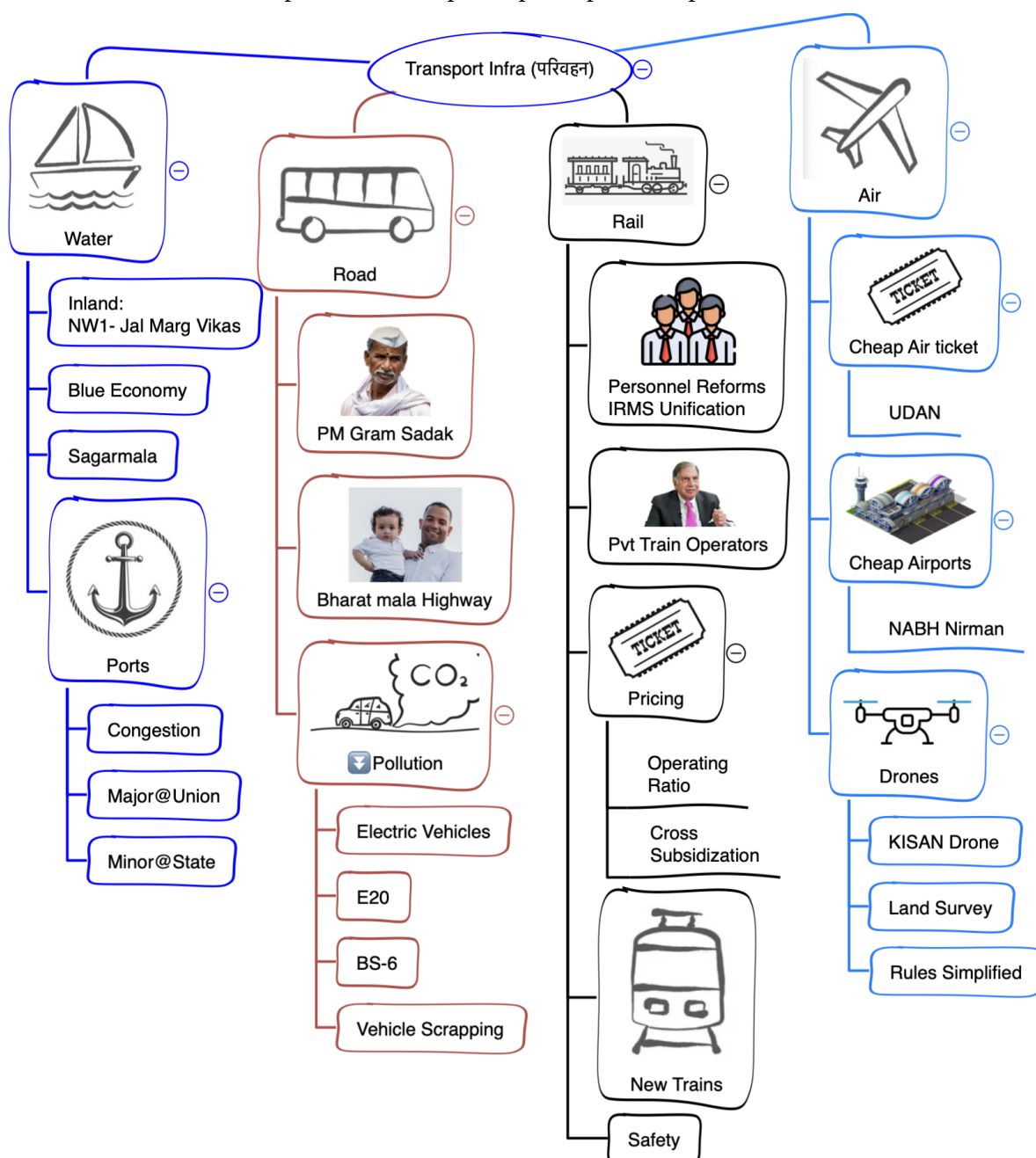
PM Modi suggested that we should think beyond just cleaning Ganga.



We should focus on sustainable economic development around Ganga

We will convert “Ganga” into “Arth-Ganga” with 6 pillars:

- 1) 🌱 Zero Budget Natural Farming / chemical-free farming within 10 km of the river, and promoting cow dung as fertiliser through the **GOBARdhan** scheme.
- 2) Sludge & Wastewater: recycle and sell it for irrigation and industries
- 3) Cultural heritage, boat tourism, adventure sports, and yoga activities.
- 4) Livelihood Opportunities: setup local markets for products, medicinal plants, and Ayurveda.
- 5) local administration improvement (6) public participation improvement.



53.1.5 🚢 MV Ganga Vilas Longest River Luxury cruise

- ⇒ World's longest river cruise around 3,200 km in 51 days, covering 27 rivers.
- ⇒ From Varanasi (UP) to Dibrugarh (Assam) via Bangladesh.



- ⇒ 50 tourist spots covered including world heritage sites, national parks, river ghats, and major cities such as Patna in Bihar, Sahibganj in Jharkhand, Kolkata in West Bengal, Dhaka in Bangladesh and Guwahati in Assam.
- ⇒ Ticket price: ₹25,000/- onwards PER DAY.
- ⇒ Operated by Kolkata-based private company Antara Luxury River Cruises.

53.1.6 🚢: 🧑 The Inland Vessels Bill/Act, 2021 (आंतरिक जलमार्ग जहाज़ विधेयक)

Outdated/Low Profile. Deleting from HDT.

53.1.7 🌱🚢 Harit Nauka initiative

- To adopt green fuels/technology in inland waterway vessels.
- 2024-Feb: PM Modi launched India's first hydrogen cell-powered inland waterway vessel. The vessel is manufactured by Cochin Shipyard.
- V.O.Chidambaram Port (previously called Tuticorin Port Trust) is the first Green Hydrogen Hub Port of the country.

53.1.8 ⚓ Jalvahak scheme- 35% subsidy for cargo via inland waterways (2025)

- Boss? Ministry of Ports, Shipping and Waterways
- Jalvahak scheme offers 35% subsidy on the cost of cargo transportation via waterways on NW 1 (Ganga river), NW 2 (Brahmaputra river), and NW 16 (Barak river).

53.2 ⚓ INFRA → TRANSPORT → H₂O → SHIPPING & PORTS

- India has a long coastline of about 7,517 km
- Approx. 95% of India's trade by volume and 68% in terms of value is transported by sea
- Alang-Sosiya (Guj) is the largest ship recycling yard in the world.

53.2.1 🧑 [Yearbook] Ministry of Ports, Shipping and Waterways नौवहन मंत्रालय consists of

Old name: "Ministry of Shipping". New Name: "Ministry of Ports, Shipping and Waterways. (2020)"

Dept.	N/A
Statutory वैधानिक संस्थाएं	⇒ Inland Waterway Authority of India (IWAI: भारतीय अंतर्देशीय जलमार्ग प्राधिकरण) ⇒ Tariff Authority for Major Ports (TAMP) to decide fees of Major ports. ⇒ Indian Maritime University (IMU) was set up by an Act of Parliament in 2008 in Chennai as a central university.- to provide quality maritime education, training and research. (CDS asked a GK MCQ on this)
Attached / Subordinate	⇒ Directorate General of Shipping, Mumbai नौवहन महानिदेशालय- he is also the National Authority for Ships Recycling, under Recycling of Ships Act, 2019 (office of Ship Recycling @Gandhinagar, Gujarat) ⇒ DG Lighthouses and Lightships Minor Ports Survey Org. लघु पत्तन सर्वेक्षण,
CPSE सरकारी कंपनी	⇒ (*) Shipping Corporation of India, Mumbai (*) Dredging Corporation of India Limited (*) Kamarajar (Ennore, Tamilnadu) Port Limited, ⇒ Cochin Shipyard Limited, Cochin ⇒ Central Inland Water Transport Corporation Ltd Hooghly Dock & Port Engineers Ltd Sethusamundaram Corporation Ltd (*) means approved for strategic disinvestment (=privatization) in 2019.
Global	⇒ IMO: International Maritime Organization (HQ: London, UK) – is a United



Cooperation अंतरराष्ट्रीय सहयोग	Nations specialized agency for regulating shipping. ⇒ Its Hong Kong International Convention (2009) deals with the safe and environmentally sound recycling of ships. 2019: India ratified it. ⇒ United Nations Convention On the Law Of the Sea (समुद्र कानूनों के बारे में संयुक्त राष्ट्र का अंतरराष्ट्रीय सम्मेलन) Signed in 1982, Jamaica. Sometimes appears in news due to 2012 case where Italian marine soldiers on the Enrica Lexie ship killed 2 fishermen of Kerala, suspecting them to be pirates. ⇒ Polar Code : for ship-safety when traveling through polar waters. e.g. ship must contain ice removal equipment, thermal-protection clothes for passenger etc. Guidelines were designed by IMO.
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⇒ **Ropax**= roll on-roll off-cum-passenger ferry service. Such shipping vessel can transport persons and vehicles over water. 2020-March: Shipping ministry launched ropax service between Mumbai and Mandwa (Maharashtra).

⇒ **Alang-Sosiya in Gujarat**: Largest ship recycling yard in the world. Started in 1983.

MCQ. Which one of the following statements best describes the 'Polar Code' ? (Prelims-2022)

- It is the international code of safety for ships operating in polar waters.
- It is the agreement of the countries around the North Pole regarding the demarcation of their territories in the polar region.
- It is a set of norms to be followed by the countries whose scientists undertake research studies in the North Pole and South Pole.
- It is a trade and security agreement of the member countries of the Arctic Council.

53.2.2 (under-construction) Vizhinjam international seaport (KERALA)

- India's first deep-water transshipment port @Kerala, being developed by Adani.
- India has many major ports. But it lacks is a land-side mega-port to deal with ultra- large container ships. Hence, nearly 75% of India's transshipment cargo is handled at ports like Colombo, Singapore, and Klang (Malaysia)

53.2.3 Minor Port: Mundra, Gujarat

- Gujarat has country's first Greenfield public-private partnership (PPP) port at Mundra.
- with help of Adani Ports and Special Economic Zone Ltd (APSEZL).
- BOOT**-build, own, operate and transfer model. So, basically, Adani given land by Gujarat government, to build-own-operate this port for 30 years. Then Adani will have to transfer its ownership to Gujarat state government.
- Presently, it is largest privately owned port in India.

53.2.4 Types of Ports- Classification Method#1: Major and Minor Ports

Port	7th Schedule	Who regulates?
Major	Union List	Union
Not-Major (=minor)	Concurrent List	delegated to States.

- Indian Ports Act, 1908: State Governments responsible for 200+ minor ports (लघु बंदरगाह), Union Govt is responsible for 12 Major Ports (प्रमुख बंदरगाह).

53.2.5 List of Major Ports in India: (A: Artificial, N: Natural harbor)

A/N?	NAME of the Major Port	STATE
N	- Jawaharlal Nehru, Nhava Shewa (1989). developed as a satellite port to relieve the pressure at the Mumbai port. - It's the largest container port in India - says NCERT. (other websites tell different story, but I go with NCERT.)	MH (2)
N	Mumbai. It has country's largest oil terminal	
N	Deendayal Port Kandala, Gulf of Kutch. Tidal port (ज्वारीय बंदरगाह). Developed in the 1950s because Karachi port lost in Partition. Kandla is also the first Exclusive Economic Zone (EEZ) in India and Asia (concept nowadays called 'SEZ')	Guj (1)
N	Mormugao. Tidal Port, @Zuvari estuary. It exports iron-ore to Japan.	Goa (1)
A	New Mangalore (Mangaluru). Deep water, all weather port. (1974-75)	Karnataka(1)
N	Cochin/Kochi. Willingdon island. Developed by Sir Robert Bristow during British-raj. Also called Queen of the Arabian sea.	Kerala(1)
Total Major Ports (West Coast)		6
N	Kolkata. Oldest major port of India. It has 2 dock systems (1) Kolkata on Eastern Bank (2) Haldia on Western bank of Hooghly River. Problems? - It's a Riverine Port on Hooghly River (नदी तटीय बंदरगाह) so Need constant dredging (निकर्षण) to remove silt & keep depth. - The port has lost its significance considerably on account of the diversion of exports to the other ports such as Vishakhapatnam, Paradwip and its satellite port, Haldia.	WB(1)
N	Vishakhapatnam & Eastern Naval command. Is a land-locked harbour, connected to the sea by a channel cut through solid rock and sand.	AP(1)
A	Paradeep (Manmade lagoon in Mahanadi Delta). Originally it was a port owned by the Orissa State government, but later union government took ownership (1965).	Odisha(1)
N	V.O. Chidambarnar Port, Tuticorin. It is located in the Gulf of Mannar.	TN (3)
A	Chennai (all weather Port) (1875). But it is not much suitable for large ships because of the shallow waters near the coast.	
A	- Kamarajar Port, Ennore (private limited company, under companies Act). Primarily as a coal port dedicated to handling thermal coal requirements of Tamil Nadu Electricity Board - normally the major ports are founded using the legal provisions of <i>The Major Port Trusts Act, 1963</i>. However this Kamarajar / Ennore port is the only corporate port (Because it is registered as a private limited company under the companies act.)	
Total Ports East Coast		6



Additionally,

- ⇒ 2010: Manmohan announced to setup **Port Blair** (Andaman Nicobar) as Major port.
- ⇒ 2016: Modi announced to setup Sagar in west Bengal, Duggirajapatnam in Andhra Pradesh, Vadhavan in Maharashtra, Enayam in Tamil Nadu as major ports.
- ⇒ 2020-Feb: Govt announced setting up a new major port at **Vadhavan in Maharashtra**. It'll be developed by a Special Purpose Vehicle (SPV) company wherein Jawaharlal Nehru Port Trust (JNPT) will have 50% or higher shareholding.
- ⇒ 2024-Sept: Galathea Bay — in the Great Nicobar island in the Bay of Bengal — notified as the **13th major port**.
- ⇒ But, Govt Annual reports & IYB (India Yearbook) still say **only 12 OPERATIONAL major ports**. So in statePSC exam MCQs, tick as per the options. (kyoki they don't update Q.bank regularly)
- ⇒ Budget-2020: we'll consider corporatizing at least one major port (= converting it into a Public limited company) and subsequently listing its shares on the stock exchanges.

MCQ. find correct pairs (Pre'23)

1. Kamarajar Port : First major port in India registered as a company
2. Mundra Port : Largest privately owned port in India
3. Visakhapatnam Port : Largest container port in India

Codes: (a) Only one pair (b) Only two pairs (c) All three pairs (d) None

53.2.6 Types of Ports- Classification Method#2

Type of Port	Notes
Dry Ports (सूखे बंदरगाह)	They are inland terminal, directly connected to a seaport by rail or road e.g. Patna@Bihar, Hazira@Guj. 20+ such dry ports under development (2018).
Industrial Port	deal with bulk cargo like grain, sugar, ore, oil, chemicals and similar materials
Commercial Port	deal with general cargo & passengers
Comprehensive	both industrial + commercial port facility
Packet Station	Ferry Ports for transporting passengers and mail on water for short distances. e.g. Dover in England and Calais in France across the English Channel.
Inland Ports	away from sea coast via river/canal. e.g. Kolkata, Memphis, Rhine, Manchester
Out Ports	deep water ports built away from the actual port to receive very large ships e.g. Piraeus is outport of Athens (Greece)
Ports of Call	where ships used to anchor for refuelling, watering and taking food supplies e.g. Aden, Honolulu, Singapore
Entrepot Ports	collection centres where the goods brought from different countries for export. e.g. Singapore , Asia. Rotterdam (Europe), Copenhagen (Baltic region)
Naval Ports	for war ship repair/construction e.g. Kochi, Karwar

? Singapore is known as Port of Call because (UPSC-CAPF-2020)

- (a) it deals in the processing and shipping of oil
- (b) it is a deep water port built away from the actual port
- (c) it is on main sea route where ships use to anchor for refueling, watering and taking food items
- (d) it serves the parent ports by receiving ships which are unable to approach due to their large size



AB CD ? MCQ: find correct (CDS-2-2024) (Hint: Human Geo class12)

1. Singapore functions both as a port of call and an entrepot.
 2. Karwar in India is an example of a naval port.
 3. Dover in England is an example of an outport.
- Codes: (a) 1 only (b) 3 only (c) 1 and 3 (d) 1 and 2

53.2.7 Major Port Authorities Bill, 2020

Mostly Technical. I'm deleting this topic. donot lose sleep [नींद खोने की ज़रूरत नहीं]

53.2.8 Ports → Challenges in India बंदरगाह में चुनौतिया

1. While India made great success in metro rails and airport infra, But shipping infrastructure has neglected. We suffer from ageing fleet, manpower shortage, we do not have world class ports. Large sized ships are unable to enter our ports so their goods are first offloaded in Sri-Lanka, then sent to India in smaller ships. [जहाज़ पुराने/ जर्जरित हैं, कुशल मानव बल की कमी, विश्व स्तर की बंदरगाहें नहीं। बड़े जहाज़ की पार्किंग मुश्किल]
2. Port congestion, delay in turnaround, takes lot of paperwork to load/unload cargo, customs clearance / inspection is slow,
3. inadequate roadrail connectivity with the hinterland (आंतरिक इलाके).
4. Privately owned minor ports are more efficient, whereas major ports suffer from labour unions and politicization of the Board of Directors. [मजदूर संघ व राजनीतिकरण के चलते प्रभावहीन व्यवस्थापन]
5. Problems of land acquisition and environmental clearances while setting up new ports.
6. Desi Shipping companies buy / hire foreign ships at higher cost bcoz domestic shipbuilding industry is underdeveloped. (भारत की स्थानिक कंपनियां अच्छे जहाज बना नहीं पाती. हमने विदेशों से खरीदने पड़ते हैं)

53.2.9 Sagar Aankalan- Guidelines for Indian Port Performance Index

- Boss? Ministry of Ports, Shipping and Waterways
- “Sagar Aankalan” Guidelines for monitoring Indian Ports Performance

53.2.10 India stops trans-shipment facility to Bangladesh (2025)

It means allowing another nation to export its goods through our airports and shipping ports.

- 2025: India discontinued giving this facility to Bangladesh.
- Official reason: Bangladeshi cargo creating delays and congestion for Indian exporters.
- Unofficial reason: B'desh chief adviser Md Yunus told in China that India's northeast is landlocked' and China should give money to Bangladesh for developing port-infra. So, Modi taught him a lesson.

53.2.11 National Logistics Policy 2022 by Commerce Ministry (रसद आपूर्ति नीति)

cost to transport goods	Global Standard	India Present	India's target in few yrs
as % of GDP	8-9% of GDP	13-14% of GDP	single digit of GDP%

⇒ seamless movement of goods and services across the country with the help of Gati Shakti project.
(Refer to Pillar5C: PPP Project for more on this.)

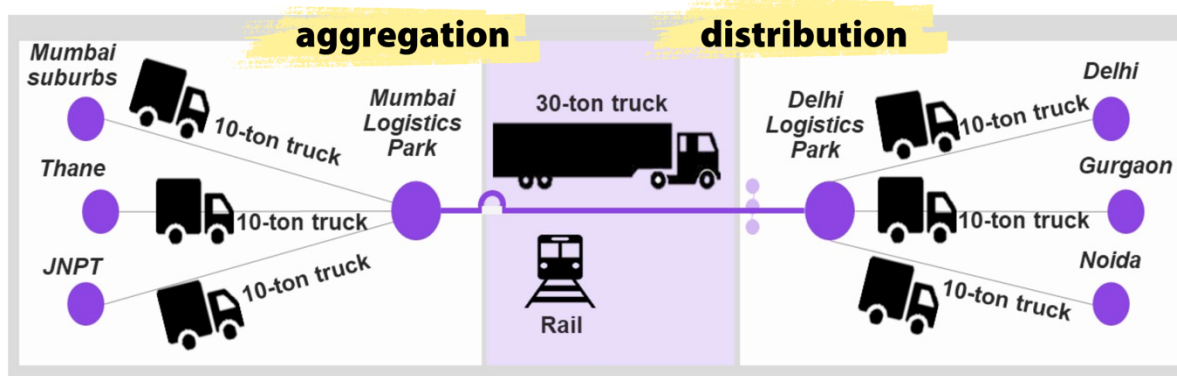


- ⇒ new logistics policy has four critical features: 1) Integration of Digital System (IDS); 2) Unified Logistics Interface Platform (ULIP); 3) Ease of Logistics (ELOG); 4) System Improvement Group (SIG). How do they work in reality? NotIMP.
- ⇒ greater cooperation among ministries of road transport, railways, customs, aviation and commerce departments.

MCQ. Find wrong about National Logistics Policy (NLP) ? (CAPF-2024)

- (a) NLP was launched in 2022. (b) NLP would improve the competitiveness of Indian goods
(c) NLP would enhance economic growth and increase employment opportunities
(d) NLP would provide an opportunity for deleveraging balance sheets and providing fiscal space for investment in new infrastructure assets.

53.2.12 🚚🚂🚢 multimodal parks by Ministry of Road transport and highways



- For developing logistics parks for cargo aggregation and distribution. Storage/ warehousing. (बहुविध यातायात के पार्क- जहाँ छोटे ट्रकों में भर के माल लाएंगे फिर वहाँ से बड़ी ट्रक और रेलवे द्वारा कहीं और माल को पहुंचाएंगे।)
- 📅 Budget-2023: 100 critical transport infrastructure projects for last connectivity for ports, coal, steel, fertilizer, and food grains sectors. (अति महत्वपूर्ण परिवहन अवसंरचना के प्रोजेक्ट करेंगे)
- 1st such park being developed near Chennai with help of Reliance.

53.2.13 🚢🚚🚂 Logistics Ranking (don't loose sleep)

LPI Index	⇒ World Bank's Logistics Performance Index, released every 2Years. ⇒ 2023: India's Rank 38 out of 139 countries. ⇒ National Logistics Policy 2022 targets that India should get into top-25 rank by 2023.
LEADS Index	Commerce Ministry's Logistics Ease Across Different States (LEADS) index. 2021: Guj#1, Haryana#2, Punjab#3. 2022: onwards, it stopped giving RANKS. But just mentioned the states/UT in 3 'categories'- see the chart given below:

53.2.14 🚢🚚🚂 Infra → Transport → H₂O → Ports → Sagarmala Project

2003: PM Vajpayee proposed Project Sagarmala → Manmohan ignored → Modi revived (2015).

- **Boss?** Shipping ministry. Central Sector Scheme = 0% funded by States. Although in practice it's Shipping Ministry → Sagarmala Development Company Limited (2016) → invest in Special Purpose Vehicles (SPVs) companies (in which State & private players may also have shareholding) → SPVs implement various projects under Sagarmala.



- To develop/improve ports, encourage coastal shipping. बंदरगाहों को बनाना/बेहतर करना
- Coastal Economic Zones (CEZs: तटवर्ती आर्थिक क्षेत्र) to create manufacturing & employment opportunities. Give them Hinterland connectivity through rail, road, inland water transport.
- Skill development, training for coastal community. [बंदरगाहों को आंतरिक इलाकों से जोड़ना]

MCQ. Find wrong statement (CDS-2-2024)

- (a) SAGAR-SETU is a mobile app, which aims to improve the Ease of Doing Business.
- (b) Harit Sagar vision aims at achieving Zero Carbon Emission Goal from ports.
- (c) Sagar Manthan is a mission launched by Ministry of Ports, Shipping and Waterways to increase fish production. [Wrong- how can Shipping ministry increase fish! & we've to find wrong st.]
- (d) Costa Serena is the first international cruise liner in India.

53.2.15 🚢🧠👩‍🔬 Infra → Transport → H₂O → Blue economy Policy 2021

- ⇒ Blue Economy deals with sustainable use of ocean resources for Job creation and GDP. [नीला अर्थतंत्र= सामुद्रिक संसाधनों का सतत् विवेकपूर्ण उपयोग रोजगार सृजन तथा सकल घरेलू उत्पाद में बढ़ोतरी के लिए किया जाए]
- ⇒ India has a coastline of nearly 7500 kms. 12 Major ports, 9 Coastal States, 1300+ islands, 2 million Square kilometre + Exclusive economic zone
- ⇒ India has both type of ocean resources a) living (Algae, fish, prawns etc) and b) non-living (Oil, gas, polymetallic nodules). सजीव और निर्जीव दोनों क्रिस्म के सामुद्रिक संसाधन हैं भारत के पास
- ⇒ Ministry of Earth Sciences (MoES) has launched the Draft Blue Economy policy for India 2021. Major features- [पृथ्वी विज्ञान मंत्रालय ने नीली अर्थतंत्र नीति बनायी]
- ⇒ Fisheries, Marine food processing, deep sea mining, Offshore energy, Research, skill development etc to achieve United Nation sustainable development goal number #14 i.e. Sustainable use of ocean resources for sustainable development. [मत्स्य खाद्य प्रसंस्करण, गहरे समुद्र में खनन, अपतटीय ऊर्जा, संशोधन नवाचार विकास, कौशल तालीम]
- ⇒ Interim Budget-2024: we'll launch Blue Economy 2.0 focusing on coastal aquaculture and mariculture. (these terms explained in Pillar4A)

Misc. Topic: Sethusamudram project (1997) to create a shipping canal between Palk bay & Gulf of Manner to reduce time & fuel consumption. But case pending in SC-PIL that it'll hurt marine biodiversity & Ram Sethu's religious sentiments.

53.2.16 🚢🧠👩‍🔬 Infra → Transport → H₂O → Maritime Vision 2030

- ⇒ Fancy talk similar to above Blue economy policy. (ऊपर के टोपिक में आपने देखी- वही सब चिकनी चुपड़ी बातें।)
- ⇒ We'll improve our ships, ports, export, create 7-10 lakh jobs etc.

53.2.17 🚢🚚🚂 Infra → Transport → Multi-Modal Transportation of Goods Bill, 2019

- ⇒ Multimodal transportation (मल्टी-मॉडल परिवहन) means using a combination of more than one mode of movement, such as rail/road/sea for transportation of goods.
- ⇒ Original act of 1993 contained provisions for 1) Registration of such cargo company 2) their liability in case of cargo delay / damage.
- ⇒ 2019: Govt planning to replace this old act, with a new act. but mostly technical features. We need not lose sleep. #⌚थोड़ा-पढ़ो-आगे-बढ़ो



54 🚚 INFRA → TRANSPORT → ROAD (सड़क)



(Intro) A good road network is an essential requirement for the rapid growth of the economy. Roads provide connectivity to remote areas, open up backward regions and facilitate access to markets, trade and investment. सड़क परिवहन का देश की आर्थिक वृद्धि में महत्व. पिछड़े इलाकों में व्यापार/निवेश को प्रोत्साहन

(Data) Largest road network in world #1 USA (66 lakh kms) #2 India (64 lakh kms)

54.1.1 [Yearbook] Min. of Road Transport & Highways सड़क परिवहन एवं राजमार्ग मंत्रालय →

Dept /Attached	N/A
Statutory Bodies	National Highways Authority of India (NHAI) भारतीय राष्ट्रीय राजमार्ग प्राधिकरण
CPSE	National Highways and Infrastructure Development Corporation
Autonomous	➤ Indian Academy of Highway Engineers (IAHE) ➤ Indian Road Congress (IRC) for conferences to discuss issues related to road construction, maintenance, development.
Number plate	- 2019: Govt allowed “LA-” number plate mark for vehicles registered in UT of Ladakh. (Lakshadweep: “LD” plates) - 2021: BH-series of number plates for Defense personnel, Govt employees and private sector companies, which have their offices in four or more States/UTs Ministry.
E-Governance modules	- Vahan Portal: vehicle registration, taxation, permit, fitness and associated services across the country [वाहनो का पंजीकरण] - Sarathi Portal: driving license, learner licence, driving schools and related activities. [वाहनचालको का पंजीकरण] - mParivahan App: has features similar to above two portals - Integrated Road Accident Database Project (iRAD) with help of IIT Madras and National Informatics Centre (NIC) - Data Lake and Project Management Software → NHAI's digital platform for paper-less decision making & dispute resolutions related to highway construction. - Bhoomi-Rashi portal: for land acquisition for highways. (भूमि अधिग्रहण)

54.2 🚚 INFRA → TRANSPORT → ROAD → TYPES

Name →	Responsibility of	Connects [ये मार्ग किसे जोड़ता है?]
National Highways	Union Government	State capitals, major cities, ports
State Highways	State Government	State Capital to District HQ
District Roads	Zila Parishad	District HQ to tehsil and Blocks
Village Roads	Gram Panchayat	Villages to neighboring towns
Expressway	PPP / SPV	Six to eight lane high class highways e.g. A'bad



Name →	Responsibility of	Connects [ये मार्ग किसे जोड़ता है?]
	(usually under aegis for NHAI)	Vadodara Expressway made by SPV owned by NHAI+ IRB Infrastructure Developers.

- ⇒ 3 organizations associated with highway construction: 1) National highways authority of India (NHAI), 2) State Public Works Department (PWD: लोक निर्माण विभाग), 3) Border roads Organization (BRO: सीमा सड़क संगठन under Defense Ministry)
- ⇒ In terms of total road length (bigger to smaller): Other roads >> State highways >> National highways >> expressways [सड़कों की लम्बाई के हिसाब से बड़े से छोटा]
- ⇒ ES25: Road transport generates the highest GVA (Gross value added) within transport services. India has a total road network of 63.4 lakh km, including the National Highway network of 146,195 km. NH = 2% of the total road network, but the NH network carries about 40% of the overall road freight traffic.

54.3 TRANSPORT → NHAI (1988, भारतीय राष्ट्रीय राजमार्ग प्राधिकरण)

National Highways Authority of India is a **statutory body** under Road Ministry. It gets ₹ ₹ from →

- Road and Infrastructure cess on Petrol & Diesel → Central Road and Infrastructure Fund (setup in 2000, Non-Lapsable) (More in Pillar#2- Taxation)
- External Assistance from World Bank, ADB, Japan Bank for International Cooperation etc.;
- Market Borrowings by NHAI, Public Private Partnership (PPP).
- 2019: NHAI to setup Infrastructure Investment Trust (InVITs) (Ref: Pillar-1C)

2020: **GATI Portal** by NHAI to monitor the progress of Highway construction in India. Contractors can file complaints (e.g. Govt engineer demanding bribes, not clearing files on time etc)

54.3.1 NHAI functions

- develop, maintain and manage national highways vested in it;
- collect fees on national highways;
- regulate plying of vehicles (meaning vehicles of which size/weight can be allowed on a given highway?)
- develop and provide consultancy and construction services in India and abroad;
- carry on research activities in relation to highways



MCQ. Find wrong statement about NHAI ? (CDS-2023-II)

- NHAI collects fees on the National Highway.
- NHAI conducts training of Highway Engineers at entry level and in-service.
- NHAI provides consultancy and construction services in India and abroad.
- NHAI regulates and controls the plying of vehicles for its proper management.

54.4 TRANSPORT → NHDP (1998)

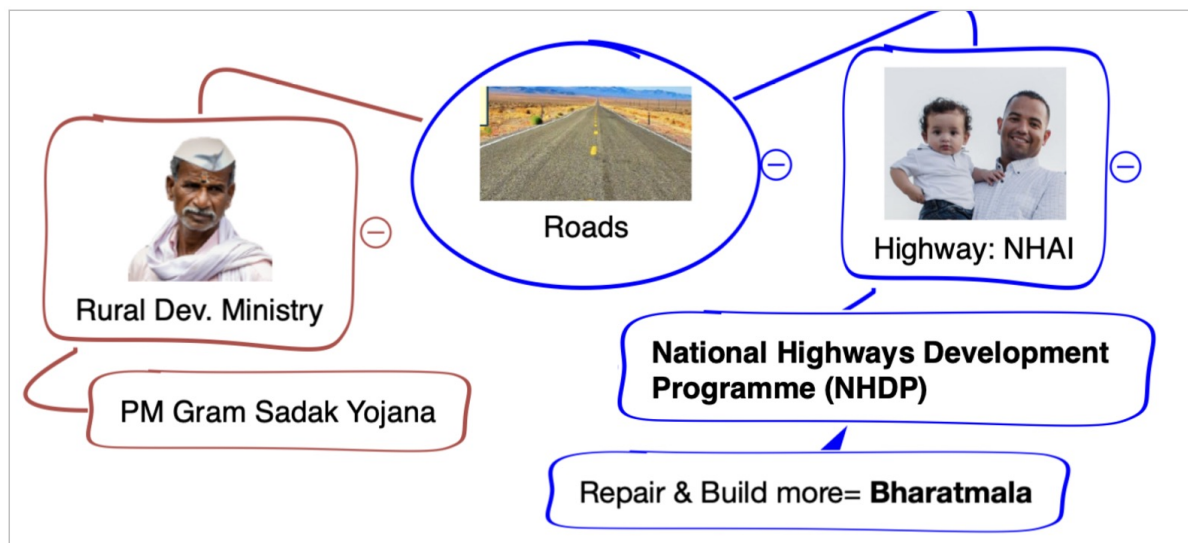
PM Vajpayee started National Highways Development Programme (NHDP) to build:

- Golden Quadrilateral (GQ: स्वर्णिम चतुर्भुज)- 4 metro cities of Delhi, Mumbai, Chennai, Kolkata
- North-South corridor to connect Srinagar to Kanyakumari. [उत्तर दक्षिण]
- East-West corridors to connect Silchar to Porbandar. [पूर्व पश्चिम]



- **Related terms: Diamond quadrilateral** → to connect major metros via High Speed Railways.

54.5 🚗👤🗺️ TRANSPORT → PRADHAN MANTRI GRAM SADAK YOJANA (2000)



- **Boss?** Rural Development Ministry. Centrally Sponsored Scheme → Core Scheme = NOT 100% funded by Union. (General-60:40, Sp. Cat States-90:10)
- 2000: PM Vajpayee launched to construct all-weather single (lane) roads for all unconnected rural habitations जिन ग्रामीण इलाकों में पहले से सड़क की सुविधा नहीं वहां तमाम मौसमों में कार्यरत रहे ऐसी सड़कों का निर्माण
 - upto min. 500 population (plains) by 2019 (as per census-2001)
 - 250/> (Sp.Cat States, tribal districts and desert areas) by 2019
 - 100-249 population (if Naxal/LWE: Left Wing Extremism affected areas) by 2020
- **PMGSY – II (2013 onwards):** To repair previous rural roads and to construct new roads.
- **PMGSY Phase-III (2019-20 to 2024-25):** To upgrade 1,25,000 kms of road in the next five years. In this phase, we'll also construct road bridges. We'll connect with roads with Agricultural Markets, Schools and Hospitals. [तीसरे चरण में सड़कों को निर्माण, पुल भी बनाएंगे।]
- To reduce carbon footprint, PMGSY roads are built using Green Technology, Waste Plastic and Cold Mix Technology. (🎓 Read more in environment books/courses)
- (1) **eMARG portal** for monitoring scheme progress (2) **Meri-Sadak App** for citizen feedback.
- 🏠 **Benefit of Rural Roads?** World Bank study (2019) found that PMGSY roads had a positive impact on human capital formation in rural India by increasing ↑ 1) school enrolment 2) institutional delivery 3) vaccination. (विश्व बैंक ने पाया कि गाँव में सड़क निर्माण से मानव पूंजी विकास होता है → क्योंकि सड़को की सुविधा होगी तो बच्चों के स्कूल-प्रवेश, घर की जगह अस्पतालों में बाल-प्रसव, और टीकाकरण में वृद्धि होती है.)

54.5.1 🚗👤🗺️ TRANSPORT → Bharatmala Pariyojana (2017)

Boss? Ministry of Road Transport & Highways → NHAI. ₹ ₹ mobilized via Cess/PPP/SPV.

- It aims to upgrade & expand the highways that were built under the previous NHDP.
- It has 7 phases. Phase-1 aims to upgrade 24,800 kms of national highways by 2022.



- Special focus on connecting the coastal areas, economic corridors, non-major ports, integration with Sagarmala, and border regions (for easier troop movement against China-Pak & increase land based export-import with Nepal, Bhutan, Bangladesh and Myanmar). पड़ोसी देशों के साथ जमीनी आयात निर्यात तथा सेना को रसद पहुंचाने के लिए

MCQ. Which of the following are included in Bharatmala Pariyojana? (CAPF-25)

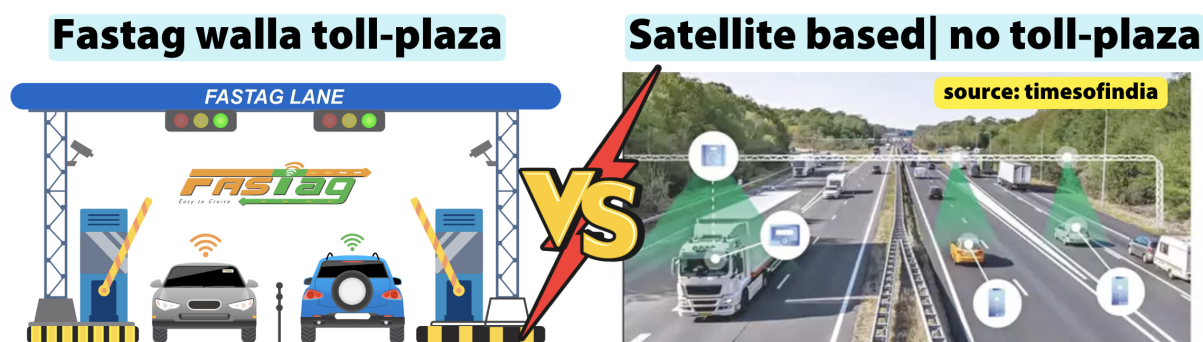
1. Road connectivity to border areas
2. Development of coastal roads
3. Connectivity for non-major ports
4. Integration with Sagarmala

Codes: (a) 1 and 2 only (b) 3 and 4 only (c) 1, 2 and 3 only (d) 1, 2, 3 and 4. (Yes, All Correct.)

54.5.2 🚗🚚🚚 TRANSPORT → Green National Highways Corridor Project (2016)

- eco-friendly highways. passing through Rajasthan, HP, UP, Andhra.

54.5.3 📡 Satellite-based toll collection



BEFORE	AFTER Satellite based Toll Collection
Vehicle has to cross toll-plaza → toll fees deducted from 'Fastag'.	Vehicles will be fitted with GPS. Then highway-cameras & satellites will track the Number of kilometres travelled → automatically the toll fees will be deducted from car owner's bank account. This system will use Global Navigation Satellite System (GNSS)-based technology.
FASTags= vehicle has to slowdown at the toll-plaza RFID machine for around 50 seconds	now it'll be reduced to ZERO seconds. Bcoz the vehicles will not be required to stop or slow down for paying tolls.
Driver had to recharge/refill money in Fastag account. This created problem for Paytm-fastag-walle drivers, when RBI imposed a restriction on the Paytm payment bank.	no need. Because money directly deducted from bank account
if a vehicle runs only 80km on a 180-km highway, still in the FASTag, the drivers have to pay for the entire 180 km	pay only for 80kms.

2025-Mar: due to security and privacy concerns, Govt **postponed** Global Navigation Satellite System (GNSS) for toll collection.



54.5.4 🚚 TRANSPORT → E-toll collection via FASTag (2017)

📄 Ref: pillar1A-1: Digital payments

54.5.5 🚚 TRANSPORT → NoWAIT@Railway Crossing: Setu Bharatam

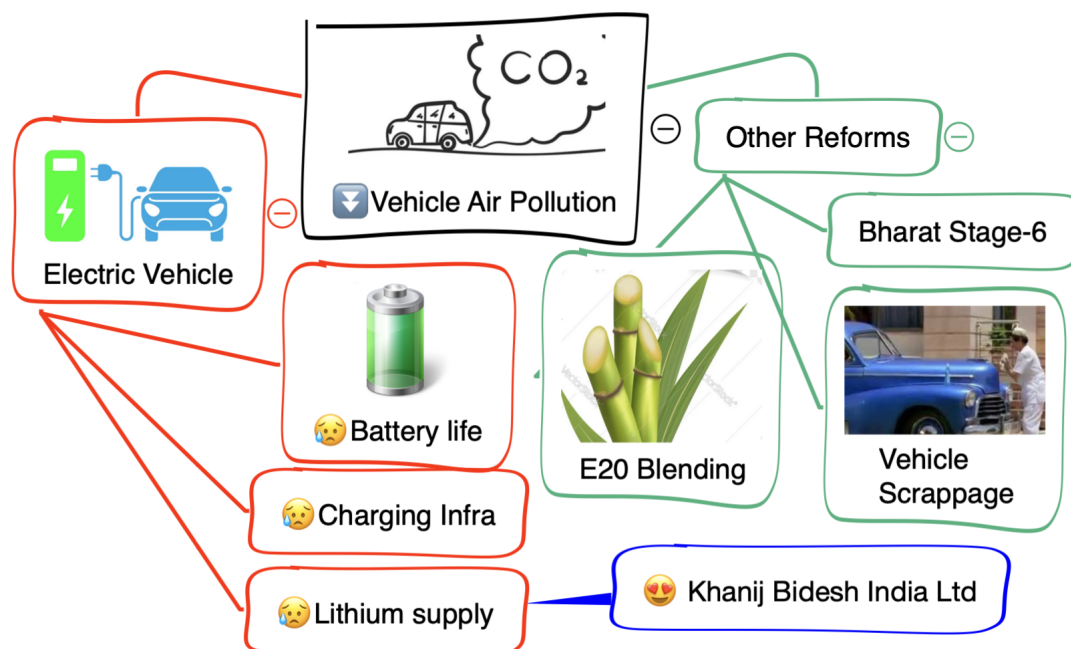
Boss? Road Ministry. Central Sector Scheme = 100% funded by Union.

- Setu Bharatam aims to make all National Highways free of railway level crossings by constructing Railway Over Bridges (ROB)/Railway Under Bridges (RUB).
- Deadline: 2019. 🤝 **Benefits?** 1) Less traffic condition & accidents in highways 2) Less employees required for manning the railway crossing signals.

54.5.6 🚚 TRANSPORT → Char Dham Mahamarg Vikas Pariyojana

⇒ **Boss?** Road Ministry to build/renovate roads to connect four prominent Dhams in Uttarakhand viz. Gangotri, Yamunotri, Kedarnath and Badrinath.

54.6 📄🚚🔌 TRANSPORT → ↓ FOSSIL FUEL USE → ELECTRIC VEHICLE



- **(Definition)** Electric vehicle (इलेक्ट्रिक वाहन) is an automobile that is propelled by the energy stored in rechargeable batteries. Such vehicles are further classified into
 - 1) Battery Electric Vehicles (BEVs) and
 - 2) Hybrid Electric Vehicles (HEVs) which can run on both battery (using electric motor) and petrol/diesel (using internal combustion engine).
- **(Origin of the problem)** In India, transport sector is the second largest contributor to CO₂ emissions after the industrial sector. Electric vehicle can help reducing it.
- **(Data)** Currently, the market share of electric cars is less than 1% in India, compared to compared to 2% in China and nearly 40% in Norway.



- **Why encourage?** 1) less import of crude oil import = less CAD 2) India can emerge as a hub for manufacturing for EVs. This can provide employment opportunities and earning of foreign exchange through exports. रोजगार व विदेशी मुद्रा कमाने का साधन बन सकता है

54.6.1 🚗⚡🔌 EVs in India: steps taken to promote them

- 100 % FDI through automatic route is permitted in the automobile sector.
- 2013: **National Electric Mobility Mission Plan 2020 (NEMMP)** for promoting electric and hybrid vehicles.
- 2015: Ministry of Heavy Industries & Public Enterprises launched **Faster Adoption and Manufacturing of Electric vehicles (FAME)** scheme to fast-track the goals of NEMMP.
- 2019: **FAME India Phase II** has been launched for period upto 31/3/2024.
 - It'll setup 2700 charging stations in major cities in such manner that
 - at least one **charging station** is available in a grid of 3 km x 3 km in cities,
 - At least one charging station is available every **25km on highways**.
 - It'll also focus on electrification of public transportation. (सार्वजनिक परिवहन का विद्युतीकरण)
- 📅 Budget-2019: Additional income tax deduction on loans taken to buy EV.
- 📅 Budget-2022:- Electric vehicle battery swapping policy to solve the space shortage at fuel stations. (शहरों में जगह की किल्लत ➡ गाड़ी को चार्ज करने की जगह इसकी बैटरी ही बदल दी जाए ऐसी नीति.)
- Ministry of Road Transport Highways (MoRTH) notified **Green Number plate** for the use of Electric Vehicles.
- 🌐 **E-AMRIT PORTAL**: web portal on electric vehicles (EVs) was launched by India at the COP26 Summit in Glasgow, UK- a joint initiative between NITI Aayog and the UK Government.

54.6.2 🚗🔌⚡ Phased manufacturing program (PMP)

- ⇒ different ministries are running parallel schemes with this name: e.g.
- ⇒ heavy industry ministry for electric vehicle and its components/spareparts.
- ⇒ electronics ministry for smart watches, microphone, touchscreen panels, etc.
- ⇒ basically involves providing certain tax benefits to the industry. Further technical guidelines or how this is similar different than RODTEP/PLI/FAME etc.= NOTIMP4EXAM, bcoz it's a low-profile scheme. Not a famous scheme.

बिजली से चलने वाले वाहनों के विनिर्माण के चरणबद्ध विनिर्माण के लिए योजना जिसमें करो में कुछ छूट दी जाती है।

54.6.3 🚗⚡🔌 100% EV Adoption? NITI vs Highway Ministry differ

नीति आयोग ने कहा 2030 से भारत में सिर्फ इलेक्ट्रिक वाहन बिकेंगे, किंतु परिवहन मंत्रालय ने कहा हमने ऐसा अभी तय नहि किया

- 2017: NITI proposes at least 40% private transportation should be electric by 2030.
- 2019-Jun: NITI proposed only electric vehicles should be sold after 2030. However, automobile makers have heavily criticized this move. So, ultimately
- 2019-Aug: Union Minister of Road Transport and Highway, Nitin Gadkari cleared the air that 1) There will be no ban on petrol and diesel vehicles in the country. 2) Govt has not set any deadline for automakers to switch to electric vehicles. 3) I am the minister, NITI Aayog does not have the authority to set Electric Vehicle deadline.



54.6.4 🚗🔌📦 ES19: EVs in India: Charging is the biggest challenge 🤔

Norway has the highest share of electric cars in its private transport. Because they provide tax incentives to EV buyers, waiver of toll fees, free parking, etc. However, the Latest Economic Survey observed that more than such tax incentives, need of the hour is to develop charging station infrastructure in India because:

- ✓ EV batteries limited driving range. So, **charging stations** must be available throughout the roads. Else, people will prefer Internal Combustion Engines (ICE) vehicles like petrol-diesel cars.
- ✓ Depending on the technology of charging stations, it can take from 30 minutes to 8 hours to recharge the battery. So, universal charging standards are required in India.
- ✓ Govt should also inform users about the availability of charging stations in their vicinity with the help of physical science, GPS maps / Apps. (सार्वजनिक चार्जिंग मानक)
- ✓ India's climate is much hotter than Norway. **High temperature** = ↓ **battery life cycle**. We've to encourage R&D accordingly. Otherwise, frequent battery replacement costs will discourage potential buyers. (बार-बार बैटरी बदलवाने का खर्चा ग्राहक को हतोत्साहित कर सकता है.)
- ✓ EV batteries' primary components is **Lithium**. China has secured a supply of this metals from Congo, Bolivia, Chile, Australia. India shd also expand to such upstream areas to secure Lithium.

54.6.5 🚗🔌 E-Vehicle: Lithium → Khanij Bidesh India Ltd (2019)

⇒ 2019: This company setup by NALCO, Hindustan Copper and Mineral Exploration Ltd- to acquire strategic minerals like Cobalt & Lithium. (विदेशों से सामरिक खनिजों की खरीद के लिए)

⇒ 2020: It bought a Lithium mine in Argentina.

54.7 🚗 EV NEW POLICY (2024-MARCH)

Boss? Commerce ministry released the press statement. (probably because policy gives some tax relief to the imported cars, and as we learned in the pillar#3: the import export matters are looked after by commerce ministry.)

54.7.1 🚗 EV Policy ☒ Conditions

- ⇒ Minimum Investment required: Rs 4150 Cr (~USD 500 Mn). No limit on maximum Investment
- ⇒ Must setup factory in India within 3 years.
- ⇒ Domestic value addition (DVA) during mfg: 25% by the 3rd year and 50% by the 5th year.

54.7.2 🚗 EV Policy → Tax Relief on imported EV cars

BEFORE	After new EV Policy
imported EV car pe 60–100% Customs Duty depending on price/engine-model.	⇒ If Elon Musk makes above commitments with Bank guarantee (ke I'll setup factory in 3 years) then... ⇒ → Ministry of Heavy Industries (MHI) will issue him a certificate then... ⇒ → Imported Tesla cars will be subjected to 15% customs duty in India for next 5 years.^^

यदि एलॉन मस्क यह कसम खाता है कि अगले तीन वर्षों में भारत में इलेक्ट्रिक गाड़ियों की फैक्ट्री लगाएगा तो फिलहाल के लिए आयातीत टेस्ला गाड़ियों पर भारत सरकार कम टेक्स लगाएगी.

54.7.3 🚗 EV Policy → Quota system on import duty relief

^^ above this duty-relief applicable for



- ⇒ Annually not more than 8000 imported cars for given company.
- ⇒ 5 years mein total: not more than total 40,000 imported cars of given company.
- ⇒ Imported car price has to be higher than \$35,000= approx. ₹ 30 lakh.

As of 2025-Oct: Not a single foreign company applied for this scheme.

54.7.4 🚗🔌 PM E-DRIVE : subsidy & charging station for e-vehicles (2024)

- ⇒ PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE)
- ⇒ Boss? Ministry of Heavy Industries
- ⇒ To replace FAME Scheme and the Electric Vehicle Promotion Scheme (EMPS)
- ⇒ Subsidies for purchase of e-2Ws (two wheelers upto max. ₹10,000), e-3Ws, e-ambulances, e-trucks, and emerging EVs.
- ⇒ Customer to get Subsidy in the form of E-Voucher linked to his Aadhaar & mobile number.
- ⇒ Funds for Public Charging Stations. **Criticism? =Doesn't provide subsidy to E-cars (4 wheeler)**

54.8 🚗🔌 ELECTRIC VEHICLE: MISC. UPDATES (2023-24)

54.8.1 🚗🔌 Induction/Wireless Charging on Golden Quadrilateral Highway

- Inductive charging (also known as wireless charging or cordless charging) = when EV car automatically gets charged from bottom of the electrified road.
- Golden Quadrilateral = highways connecting the four metro cities of Delhi, Mumbai, Chennai and Kolkata.
- government is exploring Inductive charging 6000 kms for - Golden Quadrilateral.
- Note: I have given a very simple explanation. But, in reality it could be different because the details are yet to be worked out. e.g. in Germany they've e-highway with overhead power lines for trucks (similar to railways).



induction charging



overhead charging

54.8.2 🚗🔌 EV → PM-eBus Sewa Scheme (2023)

- To run 10,000 electric buses in PPP model (public private partnership.)
- Boss? Ministry of Housing & Urban Affairs

54.8.3 🚗 Giga-casting



normal car mfg
छोटे छोटे पुर्जे जोड़के बनाए



giga-casting:
बड़े साँचे में ज़्यादातर बाँडी के भाग बनाए



normal car-mfg	gigacasting car-mfg
underbody can consist of hundreds of individual parts. छोटे छोटे पुर्जों को जोड़के बनाई जाती है।	car's underbody made of large single die-cast. Tesla famous for this. बहुत बड़े साँचे की मदद से गाड़ी का ज्यादातर हिस्सा एक ही बार में बना देते हैं।

54.8.4 🚗🔌 EV-Conclusion:

Electric vehicles represent the next generation in sustainable mobility. India must emphasize on them to reduce its GHG emissions, and to provide new avenues for employment and export earnings. Aforementioned initiatives / reforms are important in this regard/need to be addressed on priority basis. (प्रदूषण में कमी, रोजगार सृजन, निर्यात में बढ़ोतरी)

54.8.5 🚗🌬️ TRANSPORT → 🚗🌬️ ↓ Fossil Fuel Emission → Bharat Stage Norms

⇒ Environment Ministry → Statutory Body: Central Pollution Control Board (CPCB) has instituted Bharat Stage emission norms (BS) norms . जीवाश्म ईंधन उत्सर्जन मानक

⇒ Higher number = stricter norms = more expensive for automakers to design such engines.

BS-IV(4)	- 1/4/2017: BS-IV compliant vehicles made compulsory. - 1/4/2020: SC banned their sale from this date
BS-V(5)	Modi decided we'll directly jump to Stage 6.
BS-VI(6)	Only this type of vehicles can be sold from 1/4/2020 onwards Stage-VI vehicles will emit less Sulphur and Nitrogen Oxides than their predecessors.

⇒ 1) Many buyers awaiting new BS6 cars' prices to fall instead of buying BS4 models.

⇒ 2) Even though the BS4 car may be cheaper, it'll not have good re-sale value in the 2nd-hand used market after 5-6 years. So buyers are hesitant.

⇒ 1+2 = among reasons for ↓ in automobile sales in 2019 (वाहनों की बिक्री में कमी)

⇒ Separately, Dept of Heavy Industry **notified Corporate Average Fuel Efficiency (CAFE)** norms for passenger cars (E.g. taxis, buses), requiring them to ↓ CO2 emission from 2017 onwards.

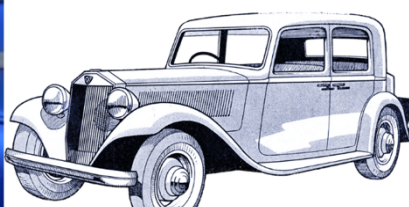
54.8.6 🚗🌬️ ↓ Decarbonizing Transport in India (2020-June)

⇒ 5 year Project by NITI + OECD's International Transport Forum (ITF)

⇒ 13% of India's Co2 emissions come from the transport sector. This project aims to reduce it. परिवहन में कार्बन की उत्सर्जन को कम करना

⇒ 🎓 More details prepare from Environment lecture/Current PDFs.

54.8.7 🚗🌬️ ↓ Vehicle Scrappage Policy [वाहन परिमार्जन नीति]



**पुरानी गाड़ियां
बहुत प्रदूषण करती
हैं उनको कबाड़ी में
भेजो**



📁 Budget-2021: Automakers to give 5% rebate (discount) on purchase of new car, If the customer gives his old vehicle for scrapping. Later Road Transport Ministry gave more clarification →

⇒ Official name? "Voluntary Vehicle-Fleet Modernisation Programme"



- ⇒ Who? Road Transport Ministry by amending the Motor Vehicles act. [सड़क परिवहन मंत्रालय का "स्वैच्छिक वाहन-बेड़े आधुनिकीकरण कार्यक्रम"]
- ⇒ Commercial vehicle e.g. Taxi, Truck older than 15 years and personal vehicles e.g bike, moped, car older than 20 years. [15 साल से पुरानी वाणिज्यिक वाहन तथा 20 साल से पुरानी निजी वाहनों पर लागू]
- ⇒ Vintage/Museum Vehicles which older than 50 years = given exemption from such rule. However, they cannot be used for day-to-day travel. [म्यूजियम/महाराजाओं के जमाने की पुरानी गाड़ीओं को छूट]
- ⇒ If non-govt Vehicle fails the fitness test after above age → It'll be seized and destroyed. (वरना जप्त)
- ⇒ If the owner voluntarily submits the vehicle to the authorised scrapping centre → gets the old Vehicle scrapped ka certificate → 4-6% Discount on buying a new vehicle. If he does not want to buy the new vehicle he may even sale/exchange the discount certificate to another party. [वाहन मालिक स्वेच्छा से कबाड़ी में देगा, तो सर्टिफिकेट मिलेगा जिससे नए वाहन की खरीदारी में रियायत/ छूट/ डिस्काउंट.]
- ⇒ He may also get exemption/relaxation in registration fees & State Road Tax. [कर में भी रियायत]
- ⇒ Registered vehicle scrapping centres will be linked to the National Police database to track vehicle stolen / involved in crime. [कबाड़ी केंद्रों को राष्ट्रीय पुलिस डेटाबेस के साथ जोड़ा जाएगा ताकि चोरी हुए, अपराध में इस्तेमाल हुए वाहनों पर नज़र.]
- ⇒ 🛖 Budget-2023: Old Vehicle Replacement: Loans to States for replacing old vehicles and ambulances. (पुरानी सरकारी गाड़ियों को कबाड़ी में बेच के नई गाड़ियां खरीदने के लिए राज्यों को कर्जा देंगे.)
- 👉 Benefits? cleaner emissions, fuel efficiency, better road safety (e.g. seat belt airbags), automobile jobs (35k ↑), GDP (₹10kcr ↑). [प्रदूषण में कमी. सड़क सुरक्षा-रोज़गार सृजन-सकल घरेलू उत्पाद में बढ़ोतरी]
- ⇒ Note: Some of these rules/%/deadlines may get changed in future.

54.8.8 🚗😓 Vehicle Scrap Double Dholki @Delhi (2025-Jul)

- 2018: SC banned diesel vehicles older than 10 yr & petrol vehicles older than 15 years in Delhi.
- 2021: Commission for Air Quality Management(CAQM), a Statutory body under Environment Ministry, was setup
- 2025-Jul: CAQM ordered to stop fuel supply to such old vehicles by flagging them with by Automatic Number Plate Recognition (ANPR) cameras installed at fuel stations,
- 2025-Jul- Public dhamaal ➡ Delhi govt said we'll not do it bcoz fuel ban is difficult to enforce - due to 'technological challenges and complex systems' - we'll work out some other solution."

54.8.9 🚗 NCAP program for Car Safety 2022

- ⇒ Transport Ministry's Bharat New Car Assessment Program (NCAP) for awarding 'Star Ratings' to automobiles based upon their performance in crash tests, will be introduced on April 1, 2023.
- ⇒ Bharat NCAP is applicable on type approved motor vehicles of category M1 (i.e. having 8 seats + driver seat). This will help customers to opt for safer cars based upon their star-ratings. (वाहन कितना सुरक्षित है उसके बारे में नए "एनएसीपी" मानदंड)

54.9 🚗🔪🚗⚖️ MOTOR VEHICLE AMENDMENT ACT 2019





- Road accidents claim ~1.5 lakh lives every year. So, Union's Motor Vehicles Act, 1988 was amended in 2019 with steep penalties such as Drunk-driving fine increased from ₹ 2,000 to ₹ 10,000 etc. (ट्रैफिक नियमों का उल्लंघन करना, मदिरा/शराब पीकर गाड़ी चलाना इन सब पर भारी जुर्माना)
- Even road contractors & Engineers can be punished if faulty infrastructure results in accidents.
- **Concurrent List Entry 35:** Mechanically propelled vehicles. So, both union and states can enact laws but Union's law will prevail. [समवर्ती सूची]
- But, some State Govts have notified reduced penalties. Union Highway Minister said, "States can revise fines if they want. However, peoples' lives should be saved."



Further, this Motor Vehicle (Amendment) Act 2019 mandates:

1. **Aadhar card compulsory** for getting a driving licence and vehicle registration.
2. **Good Samaritan** (नेक आदमी: who helps the injured victim in good faith) will not be harassed in civil /criminal cases. It'll not be mandatory for them to disclose identity to police / doctors.
3. Road builder can be penalized if poor quality of road leads to accident. [सड़क ठेकेदार को भी सजा]
4. Vehicle company can be penalized for **sub-standard components**. Govt can order recall of such faulty vehicles. (घटिया गुणवत्ता के वाहनों के निर्माण पर कंपनी को जुरमाना)
5. Easier registration process of vehicles modified for Divyang(PH)
6. **A Motor Vehicle Accident Fund** will provide compulsory insurance cover to all road users in India for certain types of accidents. (मोटर वाहन दुर्घटना निधि)
7. Technical reforms in third party motor-vehicle insurance & claims.

54.9.1 🚚👁️ Truck drivers → Eye Checkup via Project Abhay

- self-explanatory from topic heading.
- by IIT-Delhi with help of Highways Ministry

54.9.2 🚚🔧🚚⚖️ MOTOR VEHICLE AMENDMENT ACT 2019 → Gig Drivers

- ⇒ Motor Vehicle (amendment) Act 2019 → guidelines requiring Ola/Uber cab aggregators/gig platforms required to provide drivers Health insurance, Term Life Insurance(📄Pillar#1D)
- ⇒ Norms on surge pricing. Fare linked with WPI (More in 📄Pillar#4C- Inflation)
- ⇒ Cab Data must be stored in Indian server. Training, Gender sensitization.

54.9.3 🚗 Humsafar Policy for highways Amenities (2024)

- ⇒ Boss? Ministry of Road Transport & Highways
- ⇒ To setup Way Side Amenities (WSA) with Fuel stations, food court, restaurants, dhabas, retail stores, clean and hygienic toilet drinking water, first aid or medical room, emergency helipads for medical evacuation etc.



54.10 TRANSPORT → BRIDGES & TUNNEL & MISC. (सेतु और सुरंग)



Table 1: if u can remember good, else don't loose sleep.

IRAD	Integrated Road Accident Database Project (iRAD) by IIT-Madras and NIC.
IBMS	Road Ministry developed an Indian Bridge Management System (IBMS) webportal to monitor 50,000+ bridges on National Highways of India. Such database can help 1) repair works 2) mega-sized trucks could be diverted to other routes to avoid structural damage to small bridges.
Maitri Setu	connecting Sabroom (Tripura) with Ramgarh (Bangladesh) over Feni River → From Ramgarh (Bangladesh) → Chattogram port is hardly 80 kilometres from Ramgarh = so, will help Northeastern Indian States to export through sea port. Constructed by India's National Highways & Infra Development Corporation Limited (NHIDCL). This is also part of HIRA-wala Development= Highways, I-ways (information highway/communication infra), Railways and Airways.
Bogibeel Bridge	The longest Rail-cum-Road Bridge of the India (4.94 km). Connects Assam's two districts over Brahmaputra river. 2018: Modi inaugurated.
Dhola-Sadiya Bridge	Longest road bridge of India (9.15kms) to connect Dhola in Assam to Sadiya in Arunachal over river Lohit , a tributary of River Brahmaputra . 2017: Modi inaugurated.
Dhubri-Phulbari Bridge	19.3 kms road bridge to connect Dhubri (Assam) and Phulbari (Meghalaya) over river Brahmaputra . 2019: Modi approved, will finish by 2026-27, then it'll become longest bridge.
Diffo Bridge	built over Diffo River in Arunachal Pradesh.
River Ropeway	India's longest river ropeway (2kms) to connects north & south banks of the Brahmaputra river in Kachari Ghat, Guwahati, Assam.
SARDP-NE	Road Ministry → extra funds for roads in North East. Special Accelerated Road Development Programme (SARDP-NE)
Sela Tunnel	Arunachal Pradesh passing thru Sela Pass. It'll cut down the distance to China border through Tawang by 10 km. At a height of over 13,000 feet.
Mavala Machine	Mavala = India's Biggest tunnel boring machine used for creating tunnels for India's first undersea tunnel Road -In Mumbai -To connect South Mumbai with Worli. "Mavala" word associated with infantry Warriors in Shivaji Army.

54.10.1 → Bridges ☒ Sudarshan Setu / Signature Bridge (2024)

- Sudarshan Setu (also called Signature Bridge) is India's longest cable-stayed bridge.
- It connects Okha mainland and Beyt Dwarka, in Gujarat.
- Length: 2.32 km as per [PIB](#). | 4.7 km as per [IndianExpress](#)



54.10.2 🌉 Bridges → New Pamban Bridge- 1st vertical lift bridge @TN (2025)

- Vertical Lift = matalb if ship is coming then it'll rise up to allow ship to pass.
- "New" bcoz in old-times Britisher had made (1914)
- To connect Rameswaram Island with mainland Tamilnadu in Palk Strait.
- India's first vertical lift railway sea bridge 2.07-km
- constructed by Rail Vikas Nigam Ltd (RVNL), a Navratna PSU in the Ministry of Railways.

54.10.3 🚧 Longest Road Tunnels in India?

Different websites giving different answers, I am copying from [TimesNow](#)

Length	Name	Objective
9.02 km	Atal Road Tunnel (9kms) THRICE GK asked in IES & CDS & UPPSC	Longest high-altitude tunnel in India. (10000 ft above sea level) Reduces travel between Leh and Manali by 4 hours.
9.34 km	Dr. Shyama Prasad Mukherjee / Chenani-Nashri Tunnel.	Longest tunnel in India. Reduces travel between Jammu and Srinagar by 2 hrs.

54.11 🚚🌐 TRANSPORT → TRANSBORDER CONNECTIVITY (सीमापार सम्बद्धन)

International Container Transshipment Port: **Galathea** Bay at Great Nicobar Island.

Kartarpur Sahib Corridor (2019)	- Kartarpur Sahib is located on the Ravi river bank, Pakistan, about 4.5 km from the international border. - Here Guru Nanak Sahib spent his 18 years until his death in 1539. - 2019: 550th birth anniversary of Guru Nanak Sahib. - Govt launched Visa-free corridor - Indian citizens and OCI (Overseas Citizens of India) can travel from India to Pak.
Kaladan Multi-Modal	- To connect Haldia/Kolkata Port → Sittawe Port (Myanmar) → Kaladan River → Road transport to Mizoram. - in other words, this project aims to provide alternate connectivity between eastern ports of Kolkata to Mizoram via Myanmar.
Sonamura-Daudkandi (2020-Sept)	- Sonamura (Tripura) to Daudkandi (Bangladesh) - This is a riverine route connecting Tripura's Gomati river with India's national waterways through Bangladesh's Meghna river.
IMT	India-Myanmar-Thailand Trilateral Highway. The highway will connect Moreh in Manipur, India with Mae Sot in Thailand via Myanmar.
BBIN (2015)	Bangladesh-Bhutan-India-Nepal (BBIN) Motor Vehicles Agreement (MVA) to enable movement of passenger and cargo vehicles across borders. While Bangladesh, India and Nepal have implemented it but Bhutan's yet to do
Ashgabat agreement (2011)	- Ashgabat (@Turkmenistan) Agreement For multimodal goods transport between Central Asia and the Persian Gulf. - Signatories: Kazakhstan, Uzbekistan, Turkmenistan, Iran, Oman, Pakistan (2016), India (2018). This also creates synergy for INTC.



Gwadar	- Gwadar Port@Pakistan. So obviously China helped building it.
Chabahar	- Shahid Beheshti Port @Chabahar, Iran. India helped building it. - 2016: PM Modi signed agreement with Iran to construct a railway line from Chabahar port to Zahedan (a region bordering Afghanistan) - 2020-Jul: Iran dropped India from project citing India's funding delays. Separately, Iran is also seeking a 25 years economic and security partnership pact with China to get billions of funding. So, critics term it as failure of Indian diplomacy. ईरान चीन की गोद में बैठ गया वह भारतीय कूटनीति की विफलता
B3W	US President Joe Biden's Build Back Better World (B3W) initiative announced in G7 Summit 2020 for infrastructure development in the aftermath of Corona.
Blue Dot Network (2019)	⇒ Proposed by the USA, Japan and Australia. India is yet to join. ⇒ If an infrastructure project gets 'Blue Dot' Certification = Project has high standards of quality, transparency, sustainability, and developmental impact. ⇒ It will encourage pvt investors from 1st world nations in such projects.
INSTC (2000)	International North-South Transport Corridor (अंतर्राष्ट्रीय उत्तर-दक्षिण परिवहन गलियारा): - Members: India, Iran, Russia, Turkey, Azerbaijan, Kazakhstan, Armenia, Belarus, Tajikistan, Kyrgyzstan, Oman, Ukraine, Syria. Observer member - Bulgaria. (It helps connecting Afghanistan through Chabahar port although directly it may not be passing through it.) - With ship, rail, and road route for faster cargo transport.

👉 **Conclusion- intl.transport corridors?** Good connectivity is a fundamental requirement equitable industrial growth in all regions. SDG Goal #9 requires India to build resilient infra including all weather roads connecting all villages. Aforementioned scheme / policy / challenges....(सभी इलाकों में संतुलित औद्योगिक विकास के लिए अच्छी परिवहन सुविधा जरूरी। सतत विकास लक्ष्य के अनुसार गांव गांव तक सभी मौसमों में कार्यरत हो ऐसी सड़कों का निर्माण)

AB CD MCQ. Find correct about International North-South Transport Corridor (INSTC) (IAS-2025)

- (a) India to Central Asia to Europe via Iran (b) India to Central Asia via China
(c) India to South-East Asia via Bangladesh & Myanmar (d) India to Europe through Azerbaijan

AB CD MCQ. How many statements are correct? (IAS-2023) – this much PHD NOT POSSIBLE

1. East-West Corridor under Golden Quadrilateral Project connects Dibrugarh and Surat.
2. Trilateral Highway connects Moreh in Manipur and Chiang Mai in Thailand via Myanmar.
3. Bangladesh-China -India -Myanmar Economic Corridor connects Varanasi in Uttar Pradesh with Kunming in China. Codes: (a) Only one (b) Only two (c) All three (d) None

54.11.1 🐼 China One Belt One Road (OBOR-2013)

initiative to connect Asia, Africa and Europe via 6 proposed corridors

1. New Eurasia Land Bridge Economic Corridor,
2. China-Mongolia-Russia economic corridor
3. China-Central Asia-West Asia Economic Corridor
4. China-Indochina Peninsula Economic Corridor



5. Bangladesh, China, India, Myanmar Economic Corridor (BCIM): 2019-April: China **dropped** this BCIM from the OBOR list. 2024-Oct: Brazil also refused to join.
6. China-Pakistan Economic Corridor: It passes through Gilgit-Baltistan - a territory of India that is illegally occupied by Pakistan.
7. India has not officially joined, YET.

🤔 Corona = Partner nations unable to repay loan taken from China. Now China is thinking of shifting its policy. e.g. loan restructuring (Changing interest rate/tenure), fresh loans at 0% etc.

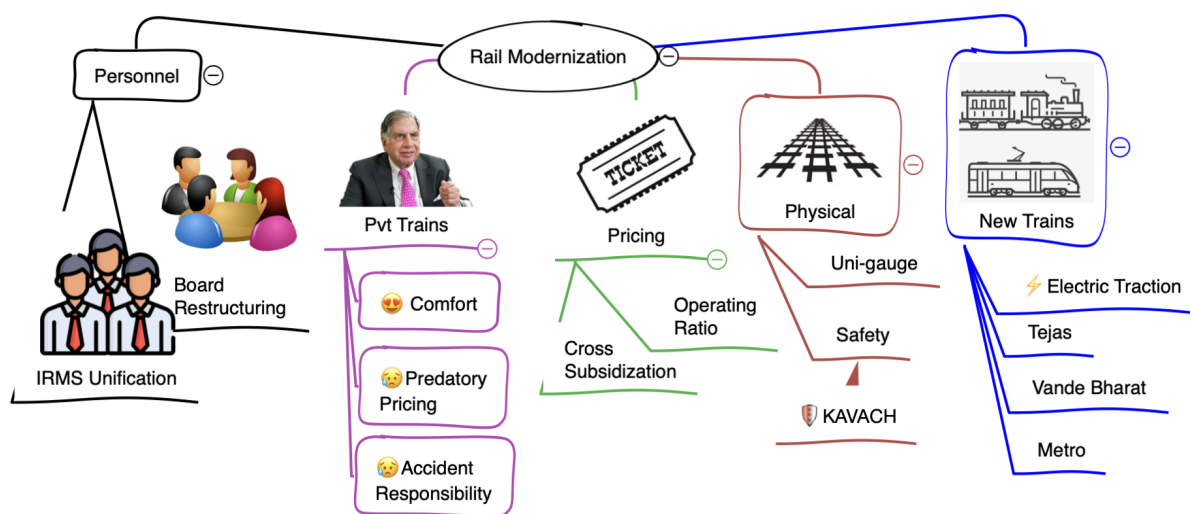
55 🚂 TRANSPORT → RAILWAY (अग्रीरथ)

⇒ 1853: First railway from Mumbai to Thane (34kms). Governor General Dalhousie

BEFORE : separate rail budget	from 2017
1921: Acworth Committee recommends separation of rail budget from General budget; practice started from 1924-25,	PM Modi merged Railway budget with general budget. (More in 📄 Pillar#2D)
Railway ministry had 16 demands for grants	one demand for grant.

⇒ Today, Indian railways 4th largest network (>68,000 route-km) after US, China, Russia.

⇒ 2019-20: Railways carried >8 billion passengers = Largest in the world



Ministry of Railways रेलवे मंत्रालय consists of

Dept	N/A
Subordinate Offices	- Railway Recruitment Boards. - Railway Staff College, Vadodara, Guj - Indian Railway Engineering Institute, Pune. - Research Design and Standards Organisation (RDSO) at Lucknow
Statutory	Railway Board, under the Indian Railway Board Act, 1905
CPSE	- IRCON (Construction), IRFC (Finance), IRCTC (Catering Tourism), - Mumbai Rail Vikas Corporation, - RITES (Technical and Economic Services), Rail-Tel (communication), Rail Vikas Nigam Ltd.



	- Dedicated Freight Corridor Corp. of India Ltd., - Bharat Wagon and Engineering Co. Ltd., Burn Standard Coy. Ltd, Braithwaite and Company Ltd. - (*) Container Corporation of India Ltd. (CONCOR)
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(*) means approved for strategic disinvestment (=privatization) in 2019

55.1.1 Konkan Railway Corporation – state govt sold ownership to Union (2025)

- 1990: Konkan Railway (KR)- a separate company for Western Ghats.
- Previously Union 51%, Maharashtra 22%, Karnataka 15%, Goa 6% Kerala 6%.
- 2025: State govts sold their shares to Union → 100% Union owned.

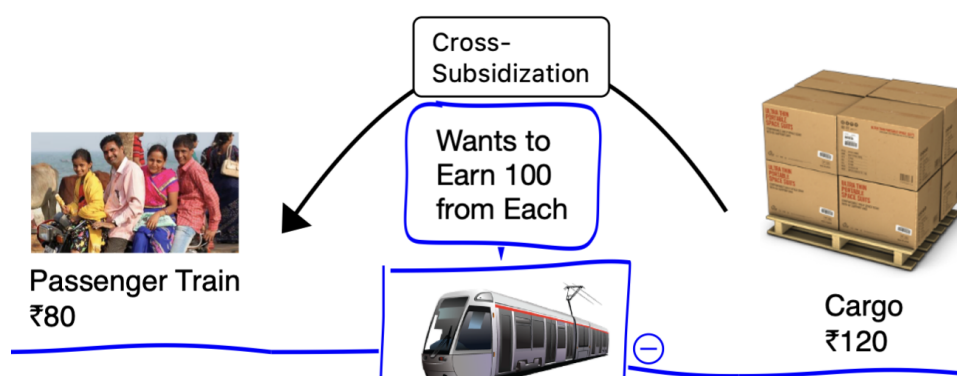
55.1.2 🚂 Railways Zonal HQ/Headquarters

Sr	Zone	Headquarter	Sr	Zone	Headquarter	Sr	Zone	Headquarter
1	Central	Mumbai	7	North Eastern	Gorakhpur	13	S.E. Central	Bilaspur
2	Eastern	Kolkata	8	N.E. Frontier	Guwahati	14	S. Western	Hubli
3	East Central	Hajipur	9	North Western	Jaipur	15	Western	Mumbai
4	East Coast	Bhubaneswar	10	Southern	Chennai	16	West Central	Jabalpur
5	Northern	New Delhi	11	South Central	Secunderabad	17	Metro	Kolkata
6	N. Central	Allahabad	12	South Eastern	Kolkata	18	South Coast Railway	Vishakhapatnam, Andhra

55.1.3 🚂 18th Railway zone- - HQ: Visakhapatnam, Andhra (2025)

- 2014: Andhra Pradesh Reorganisation Act of 2014 request the railway ministry to create a new Railway zone for the area.
- 2025: South Coast Railway Zone became be the 18th zone of the Indian Railways. HQ: Visakhapatnam, Andhra
- It is carved out from parts of the East Coast Railway and South Central Railway zones.

55.1.4 🚂 Railways → Concepts



Cross Subsidization क्रॉस सहायिकीकरण	- To keep rail travel cheap for the poor people, Railways keeps the passenger tickets lower than its input cost. Non-AC tickets pe 61% loss. - To compensate this loss, Railways keeps freight (goods transport) prices higher. This is called “Cross subsidization”
Operating Ratio संचालन अनुपात	- It means Railways operating expenses divided by its operating revenues. - 2017: 98.4% (means only ₹ 1.6 rupees left out of every ₹ 100 revenue)



	earned.) → 2018: 96.2%
	- Budget-2019: we'll try to improve it to 95%

55.1.5 🚂📊 Modified Economic Internal Rate of Return (MEIRR)



दूरदराज के इलाकों में भले रेलवे लाइन बिछाने से मुनाफे के अवसर कम हो लेकिन फिर भी राष्ट्र निर्माण के लिए वह रेल बिछाएंगे



BEFORE	AFTER MEIRR (आर्थिक मुनाफे के आंतरिक दर का संशोधित मॉडल)
Railways will approve a project if only minimum 12% profit was involved. (पहले यदि किसी रेल प्रोजेक्ट में न्यूनतम 12% मुनाफे की संभावना ना होती तो रेलवे मंत्रालय उसकी मंजूरी अनुमति नहीं देता था)	Railway to approve project even if 2 to 3% profit is there but it is required for connecting remote area backward area reducing air pollution traffic congestion et cetera. (दूरदराज के पिछड़े इलाकों में या फिर यातायात में ट्राफिक कम करने, वायु प्रदूषण कम करने के लिए कोई प्रोजेक्ट जरूरी हो तो भले उसमें दो तीन प्रतिशत मुनाफा मिल रहा हो फिर भी रेल मंत्रालय उसकी मंजूरी देगा)

NITI Aayog opinion will be asked, if project cost is ₹500cr/ or more.

55.1.6 🚂📊 Railways → Problems

- 1) Cross subsidization, poor operating ratio → sanitation, service quality & safety compromised. Railways ill-equipped to combat robberies, vandalism, stone-pelting. (स्वच्छता और सुरक्षा)
- 2) While truck transport-more pollution, expensive and slow than trains, yet more than 2/3rd cargo carried by trucks. (उद्योगपति ट्रक द्वारा परिवहन ज्यादा करते)
- 3) Too many rail stoppages to appease the voters → speed slow. (धीमी गति)

55.2 🚂👤🔧 RAILWAYS → MODERNIZATION → PERSONNEL & ORGANIZATIONAL REFORMS (कार्मिक और संगठनात्मक सुधार)

- ⇒ Earlier, Sam Pitroda Committee (2012) and Bibek Debroy Committee (2015) and many others had suggested various organizational reforms for the Railways.
- ⇒ Modi Cabinet had constituted Alternate Mechanism (AM / वैकल्पिक क्रियाविधि: a group of cabinet ministers to decide on a particular subject).
- ⇒ 2019-Dec: following was approved (1) Unification of Services (2) Restructuring of Railway Board

55.2.1 🚂👤🔧 Railways Personnel Reforms → Unification of Services (सेवाओं का एकीकरण)

BEFORE	AFTER
Technical services recruited through Indian Engineering Service (IES) exam of UPSC viz. ⇒ 1) Indian Railway Service of Engineers 2) Signal Engineers 3) Mechanical Engineers 4) Electrical	⇒ These eight services will be merged into Indian Railways Management Service (IRMS): भारतीय रेलवे प्रबंधन सेवा). ⇒ 🏆 Benefit? Improved



BEFORE	AFTER
Engineers 5) Stores Services Non-Technical services (गैर तकनीकी सेवाएं) recruited via Civil Services Exam (CSE) of UPSC viz. - Indian Railway Traffic Service (IRTS) - Indian Railway Accounts Service (IRAS) - Indian Railway Personnel Service (IRPS) This resulted in fragmented manpower planning, lack of coordination with each other, departmental rivalries	coordination and efficiency. (बेहतर समन्वय और दक्षता)
Indian Railway Medical Service (IRMS), recruited through Combined Medical Services Exam of UPSC	Renamed as Indian Railway Health Service (IRHS: भारतीय रेलवे स्वास्थ्य सेवा).

55.2.2 🦋👉 Unification of Services → Controversy? (सेवाओं के एकीकरण से विवाद)

- ⇒ Officers fear their seniority / promotion may be affected with merger.
- ⇒ Electrical / mechanical engineering works can't be manned by non-Engineers because they don't have subject knowledge. Therefore merger into a single service is irrational (तर्कहीन).
- ⇒ Bibek Debroy Committee (2015) suggested merger of these services into two services 1) technical and 2) non-technical. That'd have been more rational decision.

55.2.3 🚂👤✈️ Railways Organizational Reforms → Restructuring of Railway Board

BEFORE	AFTER (रेलवे बोर्ड का पुनर्गठन)
Railway Board, the apex decision making body of Railways had ⇒ One Chairman [अध्यक्ष] ⇒ Members selected from various Railway departments. [अलग अलग रेल विभागों से सदस्यों को चुना जाता था]	Similar to a Company board. ⇒ Chairman of the Railway board will be the Chief Executive Officer (CEO: मुख्य कार्यकारी अधिकारी) ⇒ 4 functional Members (कार्यपरक सदस्य) i.e. officers from Railways selected on merit cum seniority basis. ⇒ Some independent members with knowledge & experience in industry, finance, economics and management fields

55.3 🚂👤👤: RAILWAYS MODERNIZATION → PRIVATE TRAIN OPERATORS



Table 2: benefits of allowing private trains in India?

🚂👤 BEFORE	👤 AFTER: allowing private train operators
⇒ Indian Railways itself responsible for running the trains, collecting ticket-fees,	On selected routes (NOT all routes): ⇒ Private train operators (निजी ट्रेन संचालक) will



🚗👤 BEFORE	👤 AFTER: allowing private train operators
delivering passengers and goods. ⇒ Affluent passengers prefer Airlines over Railways because they're faster, cleaner & safer. धनी / पैसो से संपन्न यात्री हवाई याता पसंद करते हैं क्योंकि वह ज्यादा तेज साफ-सुथरी और सुरक्षित होती है	buy their design/buy their own private trains from anywhere in the world. They'll run it on railtracks with their own staff, & charge market-linked fares. (बाजार आधारित किराए.) ⇒ Govt (Indian Railways) provide timetable, track and signaling infrastructure to them. ⇒ Private train operator will share % of its revenue with Govt. (बिक्री में हिस्सा)
⇒ Lately, Govt itself started 'premium trains' such as Duronto, Tejas, Vande Bharat, Uday, Hum-Safar etc. ⇒ But there is a long waitlist for tickets. Which proves people are willing to pay for good service, but Govt alone doesn't have enough funds to launch many such 'premium trains'.	Passengers benefit from world-class services e.g. ⇒ No nuisance of hawkers, beggars, unhygienic toilets. फेरीवाले, भिखारी और गंदे शौचालय नहीं ⇒ Lady train hostesses to deliver food & amenities. (परिचारिका) ⇒ Such trains will stop at very few stations, will have min.60 kmph speed → faster & more pleasant journey. (तेज व सुखद याता का अनुभव)

- ⇒ 2006: Ministry of Railways allowed private operators to run container trains on the Indian Railways (IR) network. [नीजी खिलाड़ियों की मालवाहक गाड़ियों को तो ये अनुमति काफ़ी समय पहले से दी गई थी]
- ⇒ Railways constituted **Amitabh Kant Panel** for entry of private operators in passenger trains.
- ⇒ 2019-Oct: FIRST 'Private' train: Lucknow-Delhi Tejas Express launched. It's operated by IRCTC. Although, IRCTC is a subsidiary co of Ministry of Railways. So, technically, it's not 'fully private train' but if this experiment successful, then actual private operators may be allowed.
- ⇒ **2020-Jan:** Indian Railways has invited private companies to apply for running 150 passenger trains on 100 routes. Draft proposal is as following:

Table 3: Draft Public Private Partnership (PPP) model for private railways

Model	Private player will Design, Build, Finance and Operate (DBFO: डिजाइन, निर्माण, वित्त और संचालन) his private trains on the routes given to him. Train must have minimum 16 coaches.
Concession Period (रियायत की अवधि):	35 Years. After that, the govt may renew/ Govt itself may start operating it / select another party...depending on the mutually agreed conditions
Fees	private train operator will share a % of his revenue with the Government. (निजी संचालक ने अपनी आमद में से कुछ प्रतिशत सरकार को देना होगा)

55.4 🚗 RAILWAYS → MODERNIZATION ATTEMPTS BEFORE 2019

Project uni-gauge Started in 90s	- Track gauge is the spacing of the rails on a railway track. Broad [1,676 mm] > Meter [1,000 mm] > Narrow [762 mm, 610mm]. - Project Unigauge to convert selected routes into broad gauge. - Presently, in terms of track length: Broad > Meter > Narrow.
Project Saksham	2018: Skill / Training program for railway employees. Phase-II in 2019.
Mission Avataran	(2016) To transform Indian Railways' speed, safety, profitability
Yatri Mitra Sewa	wheelchair cum porter services for PH passengers (2016)



Rail Drishti Portal	Webportal for customer complaints & train information
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55.4.1 **Railways Fares (किराया) → Rail Development Authority**

- ⇒ 2017: Modi Govt setup “Rail Development Authority (रेल विकास प्राधिकरण)” - non-Constitutional, non-statutory body via cabinet resolution. It's headed by a chairman + 3 members; 5 years term.
- ⇒ Suggest Tariff (fares) determination, efficiency and performance standards, customer satisfaction, technological upgrades..
- ⇒ Although it can only ‘suggest’ (यह संस्था केवल सुझाव दे सकती है) because under Railway Act, only the Railway Board can decide on the fares of rail services.

55.4.2 **Railways Fares → Concepts**

Tatkal Tickets	for booking the tickets in hurry / emergency.
Flexi-Fare / Dynamic pricing	⇒ 2016: Govt introduced this system on premium trains such as Rajdhani, Shatabdi and Duronto trains. ⇒ Here, base fare (मूल किराया) will keep increasing by x% with every 10% of seats booked. (यानि की अगर देरी से टिकट बुक किया तो ज्यादा किराया लगेगा). ⇒ Consequently, sometimes train tickets became more expensive than airplane tickets! 2018: Govt gradually stopping this system

55.4.3 **Transport → Rail-Modernization → Green Initiatives by Railways**

- ⇒ Windmill/ solar panels at each rail station.
- ⇒ **Green curtain:** wall around railway station, chowkidar to combat defecation and littering.
- ⇒ **Biotoilets** with help DRDO: They contain anaerobic microbial bacteria to decompose and convert human excreta into water and gasses.
- ⇒ “**Green corridors in Railways**” = on these routes all trains have bio-toilets to avoid direct discharge of human excreta on Railway tracks/station premises.
- ⇒ 5% blending of biodiesel.

55.4.4 **Transport → Rail-Modernization → Electric Traction**

- ⇒ It means replacing diesel / coal powered engines with electric engines because they're more environmental friendly and energy efficient. (डीजल इंजनों को बिजली वाले इंजनों से बदलना)
- ⇒ Earlier, Modi & NITI Member Bibek Debroy raised doubts from strategic & economic angles:
 - it'll cost ~₹1 lakh crores, while our existing investment in diesel engines will go to waste
 - Difficult to accomplish in J&K & NE due to topography.
 - EU/China/Russia use electric trains for passengers and diesel for cargo transport.
- ⇒ 2018 Still, forgetting above ANTI-arguments, Committee on Economic Affairs (CCEA) approved 100% Electric Traction by 31/3/2022.
- ⇒ What will happen to diesel engines? Ans. Govt plans to resell them to African nations

55.4.5 **Greenwashing of Railway- criticism by the Hindu columnists**

- ⇒ Greenwashing is a deceptive practice where company tries to convince the public that a company is more eco-friendly than it actually is.
- ⇒ The Ministry of Railways has decided to replace diesel engines with electric ones. However most electricity in India is produced through coal power, thus it is NOT 100% green.
- ⇒ More phd in this video <https://youtu.be/mb85EzM2Jps?si=AAI50NbZnk3GZDWI>



MCQ. In June 2024, India signed a Memorandum of Understanding (MoU) with USA supporting Indian Railways to achieve mission Net Zero Carbon Emission by the year: _ _ _ (CDS-2-2024) Codes. (a) ☒ 2030 (b) 2040 (c) 2050 (d) 2070. **[This much PHD not possible]**

55.4.6 National Rail Plan for India – 2030 [भारत के लिए राष्ट्रीय रेल योजना - 2030]

- ⇒ freight transport- ↑ Railways share by 45% and ↑ avg speed by 50kmph. (माल वाहन ने रेलवे की हिस्सेदारी और रेलवे की गति को बढ़ाना)
- ⇒ 100% electrification of engines (रेल इंजनों को डीज़ल की जगह विद्युत/ बिजली से चलाना)
- ⇒ ↑ speed to 160 kmph on Delhi-Howrah and Delhi-Mumbai routes
- ⇒ Identify new Dedicated Freight Corridors and High Speed Rail Corridors.
- ⇒ Develop more railway stations, improve track safety etc (रेल अड्डे और सुरक्षा)

55.4.7 Transport → Rail Safety → Railways Protection Force (RPF) initiatives-2019

- ⇒ **Commando for Railway Security (CORAS)** battalion created by Railway Protection Force (RPF), they'll be responsible for fighting terrorism and naxalism in Railways. (Sidenote: CRPF's COBRA battalion is a separate entity to fight naxals)
- ⇒ **Operation Thirst:** RPF to combat selling of unauthorised Packaged Drinking Water in railways.
- ⇒ **MeriSaheli:** women security initiative in trains. [महिला सुरक्षा के लिए उठाया गया मेरी सहेली कार्यक्रम]

55.4.8 Transport → Rail-Modernization → Safety [रेल सुरक्षा]

- 182 toll-free Helpline number
- **Rashtriya Rail Sanraksha Kosh** (2017) created to finance the projects related to railway safety e.g. Train Collision Avoidance System.
- **Int-Budget-2019:** "We've removed all Unmanned railway crossing in January 2019."
- **Budget-2020:** Rate of occurrence of rail accidents has steadily ↓ from 2016 to 2019.
- **RPGRAMs** (Railway Passenger Grievance Redressal and Management System) web-portal and Rail Madad App have been launched
- **Rail Drishti Web dashboard:** provides statistical info related to railway operations.
- **NINA-UAV** [unmanned aerial vehicles] drones- for surveillance and safety of railway track railway stations etc. [रेल सुरक्षा के लिए ड्रोन द्वारा सर्वेक्षण]

55.4.9 Transport → Rail Safety → Kavach Automatic Train Protection (ATP) system

- It is SWADESHI= indigenous tech. Kavach is being installed at each and every station.
- Radio Frequency Identification (RFID) tags are placed throughout the entire track length.
- Trials @2016 → full-scale @2024.

MCQ. Find WRONG about Railways (IAS-2025)

- I. Indian Railways has National Rail Plan (NRP) to create a 'future ready' system by 2028. **(No-2030)**
 - II. 'Kavach' is an Automatic Train Protection system developed with help of Germany. **(No- Swadeshi)**
 - III. 'Kavach' system consists of RFID tags fitted on track in station section. (yes)
- Codes: (a) I and II only (b) II and III only (c) I and III only (d) I, II and III

Reflection- after many-many years to asked something about railway in IAS prelims. And you have to find wrong statements in this.



55.4.10 🚂 Transport → Rail-Types (अग्रिथो के प्रकार)



Table 4: 🙌🙌🙌 Table has very little utility in the UPSC, self-study for other exams:

Red ribbon	to spread AIDS awareness
Rajdhani	Connects Delhi with state capitals. Started in 1969
Shatabdi	Connects Metro cities with other cities. called "Shatabdi" because started in 1988 Nehru's centenary.
Garib-rath 2006 (Lalu)	AC trains for poor people- at cheaper cost. But seat space narrow, no food/bedding given. So it's called 'No frills'.
Duranto Express 2009 (Mamta)	Duranto means 'restless' in Bengali. Long distance non-stop from source to destination. Speed as fast as Rajdhani and Shatabdi. Although now stops at more stations for voters appeasement so original objective is defeated.
Mumbai Monorail 2014	Monorail runs on a single rail. rail may be located either above or beneath the railway cars. 2014: Started in Mumbai by Maharashtra State Govt.
Mumbai-A'bad bullet train 2014	- Length: ~520 km; proposed speed ~320 kmph. - Duration: 3-4 hours (currently 8 hours) - Project funded by JICA (Japanese International Cooperation Agency). - 🤖 Challenges? Farmers protest against the land acquisition, Ticket price will have to be kept very high ELSE difficult to recover the cost. - 🤖 Benefit? Even if the cost is not recovered, experience gained → later try 'Make in india' & export bullet trains to third world. - 📺 ES25: 47% construction Is finished.
AntyodayaExpress	These trains have only general coaches and they're unreserved. (2016)
Humsafar Express 2016	Attempted to give a taste of 'luxury' to the common man. Fully AC coaches, more comfortable seats, LCD TV, laptop-mobile charging, coffee/tea/soup vending machine, toilet's flush button has automatic perfume releaser.
Tejas Express'16	Similar to above. Their new version even has Small TV behind every chair.
Gatimaan '16	Semi-high speed train, maximum speed 160 kmph, runs on electricity.
UDAY 2018	Utkrisht Double-Decker Air-conditioned Yatri (UDAY Express) connects notable cities of Southern India. features similar to above
Vande Bharat Express 2019	⇒ Same as above, made by Integral Coach Factory in Chennai. Technical name 'Train 18'. First train on Delhi -Kanpur-Allahabad-Varanasi. ⇒ Amrit Mahotsav of independence for 75 weeks started from 12th March 2021 and will continue till 15th August, 2023. So, During these 75 weeks of the Amrit Mahotsav of Independence, 75 Vande Bharat trains will be launched to connect every corner of the country. ⇒ Sidenote: Amrit Kaal =for the NEXT 25 years until India celebrates 100 years of its independence.



Shramik Special Trains	2020-May: During corona crisis to bring migrants within Indian states back to their home states in India. (भारत में ही स्थित प्रवासी मजदूर)
Bharat Gaurav Scheme (2021)	Pvt tour operators can lease Govt's trains on tour circuit. (भारत गौरव योजना के अंतर्गत निजी क्षेत्र के ऑपरेटर भी किराये पर सरकारी ट्रेन लेकर पर्यटन स्थलों पर उसे चलाए)
Future of Rail report	2019-January: This report was launched International Energy Agency (IEA, an autonomous body based in Paris).
Janjatiya Gaurav Corridor	- initiative to increase rail lines in tribal dominated regions
Bharat gaurav trains	theme- based tourist circuit train
Amrit Bharat Station Scheme:	to increase facilities at railway station.

55.4.11 Transport → Dedicated Freight Corridor (DFC)

- ⇒ 2006: Started to construct 2800kms separate railway line exclusively for the cargo trains
- ⇒ **Eastern Arm:-** Ludhiana (Punjab) to Haryana, UP, Bihar, Jharkhand to Dankuni (WB)
- ⇒ **Western Arm:-** Dadri (UP) to Haryana, Rajasthan, Gujarat to Jawaharlal Nehru Port @Mumbai.
- ⇒ 🍷 Benefits? Faster cargo movement (60km/h instead of present 20km/h)

55.4.12 National Industrial Corridor Development Programme

Completed	In-progress
Dholera in Gujarat, Shendra Bidkin in Maharashtra, Greater Noida in Uttar Pradesh and Vikram Udyogpuri in Madhya Pradesh.	Tumakuru in Karnataka, Krishnapatnam in Andhra Pradesh, Nangal Choudhary in Haryana and Dadri in Uttar Pradesh.

55.4.13 → RAILWAY ☑ RRTS (NAMO BHARAT)

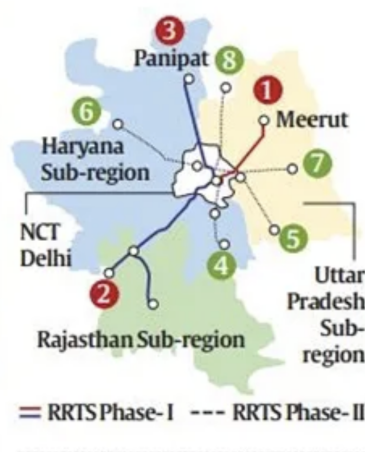
FASTER THAN METROS, MORE FREQUENT THAN TRAINS



180 km/hr
DESIGN SPEED

160 km/hr
OPERATION SPEED

100 km/hr
AVERAGE SPEED



- Regional Rapid Transit System (RRTS) also called NAMO BHARAT.
- National Capital Region Planning Board (NCRPB) - statutory body under MINISTRY OF HOUSING AND URBAN AFFAIRS (MoHUA). It has representatives from the union government and the states of Haryana, Rajasthan and Uttar Pradesh.



- NCRPB → National Capital Region Transport Corporation Limited (NCRTC, 2013) is responsible for this RRTS project.
- RRTS is a railway network to connect Capital with Panipat in Haryana, Meerut in Uttar Pradesh and Alwar in Rajasthan. (refer to following image from IndianExpress)

55.4.14 🚇 Transport → Metro Rail

Metro Rail is a Mass Rapid Transport System (MRTS: सामूहिक द्रुत परिवहन प्रणाली) for daily commuters. It runs on electricity & usually confined within a given city.

- At present, India has operational metro rails at Delhi, Mumbai, Kolkata, Chennai etc.
- City Roads = very congested, slow, accident prone, air pollution. While metro rails provide relief in daily commuting. [मेट्रो रेल सड़कों पर वाहनो की भीड़ को कम करेगी, वायु प्रदूषण कम करेगी]
- 🤔 However, metro trains are not panacea for India because they need more capital and technology than ordinary public bus/local railways.
- They require dedicated tracks, underground tunnels and bridges → problems in land acquisition and remodelling of existing urban road infrastructure. (ज्यादा पूंजी और तकनीकी प्रौद्योगिकी, अलग से जमीन संपादन, सड़कों का पुनर्गठन करना पड़ता है)
- 🤔 Since metro rails cater urban middle class commuters, so, fares can't be raised beyond a point for faster recovery. So it takes a very long time to recover investment. [निवेश किया पैसा मुनाफे के साथ निकालने में काफ़ी वक़्त लग जाता है, क्योंकि मध्यम वर्गीय परिवार पर सरकार रेल किराया बहुत ज़्यादा बढ़ा नहीं सकती]

55.4.15 🚇 Transport → Metro Rail → Metro Rail Policy 2017

Boss? Ministry of Housing and Urban Affairs (MoHUA).

- Considering aforementioned challenges, Metro train should be launched only after cost: benefit compared to launching more buses and ordinary trains.
- State Govt will be responsible for Land acquisition (भूमि अधिग्रहण).
- Proposed Investment models for Metro rails: →
 - 50:50 joint venture (संयुक्त उद्यम/साहस) between Union & State OR
 - Public Private Partnership (लोक/सार्वजनिक निजी भागीदारी) between State & private company; while Union gives them grants through Viability Gap Fund (व्यवहार्यता अवकाश निधि).
- 📁 **Budget-2019** More metro railway initiatives via PPP. Because, modernizing Indian Railway requires total ₹ 50 lakh crore from 2019- 2030, but in annual budgets we can barely allot ~₹1.6 lakh crore per year, so public partnership necessary. [सरकार के पास पैसा कम है इसलिए PPP द्वारा बनाएंगे]

55.4.16 🚇 Transport → Metrolite, MetroNEO = Cheaper Metros for smaller cities (2021)

📁 Budget-2021 announced Metro Lite and Metro Neo for smaller cities like Nashik, Thane, Gorakhpur, Jammu, Srinagar and Coimbatore. They are cheaper than normal Metro rail.

Type of Metro	Cost to build 1 kilometre of track & train
Normal / conventional metro rail	222 cr
Metro Lite = looks like a tramway	140 cr
Metro Neo= looks like an electric trolleybus	71 cr



55.4.17 🚇 Transport → India's first underwater metro line @Kolkata under Hoogli River

- by Kolkata Metro Rail. This tunnel passes under river Hooghly. img source: TimesofIndia
- India's country's deepest metro station — Howrah — situated 30+ metres below the surface.

MCQ. Under which one of the following rivers has India's first underwater metro rail tunnel been constructed? (CDS-2023-II) (a) Yamuna (b) Ganga (c) Hooghly (d) Gomti

55.4.18 🚇 Transport → Kochi Water Metro (Kerala, 2023)

Connects 10 islands around Kochi through battery-operated electric hybrid boats.



55.4.19 🚇 Indo-Bangla: Akhaura-Agartala rail link

- a 12km railway lined to connect Agartala (Tripura, India) with Akhaura (in Bangladesh).
- Funding? (1) Ministry for Development of North East Region (DoNER) funded the work on the Indian side, (2) the Ministry of External Affairs (MEA) funded the expense for the Bangladesh side as 'Grand/Aid to Bangladesh'.
- It'll pass thru Nischintapur in Tripura
- Nischintapur will serve as the **international immigration station** for passengers.
- Nischintapur will serve as **Land Customs Station (LCS)**. It refers to any notified place meant for the clearance of goods imported or to be exported by land or inland water by Central Board of Indirect Taxes and Customs (CBIC) .
- this will also help faster connectivity between Tripura to West Bengal. (Refer to map)



55.4.20 🚇 Indo-Bangla Rail connection → others

Name	Connect
Maitree Express	Kolkata and Dhaka (2008)
Mitali Express	Siliguri in W. Bengal and Dhaka (2021)



55.5 🛒 BUDGET → RAILWAYS ANNOUNCEMENTS IN RECENT YEARS

55.5.1 🚆 Transport → 🛒 Budget-2022 on Railways & goods/cargo transport

- ⇒ 400 Vande Bharat Trains will be launched.
- ⇒ **Kavach**-the **indigenous** safety technology to be launched (रेलवे सुरक्षा के लिए कवच नामकी स्वदेशी टेक्नोलॉजी)
- ⇒ New services for small farmers, & small enterprises. (छोटे किसान छोटे उद्योगों के लिए नई नई सेवाएँ)
- ⇒ 'One Station-One Product' concept to help local businesses.
- ⇒ integration of Postal and Rail networks (रेलवे और डाक नेटवर्क का एकीकरण- माल/रसद परिवहन के लिए।)
- ⇒ 100 PM GatiShakti Cargo Terminals for multimodal logistics (एकाधिक परिवहन माध्यम - रेलवे जल सड़क का एकीकृत माल परिवहन टर्मिनल।)
- ⇒ We'll release '**OPEN SOURCE**' transport related softwares and e-platforms
- ⇒ (1) Unified Logistics Interface Platform (ULIP)
- ⇒ (2) Open-source mobility stack for travel of passengers

(How? NOT important. Just visualise it can help developing apps like UBER, MakemyTrip etc. (इंसानों और वस्तुओं के परिवहन के लिए नए नए क्रिस्म के वेबपोर्टल और ऐप बनाने की टेक्नोलॉजी मुफ्त बाँटी जाए)

55.5.2 🚆 Transport → 🛒 Budget-2023 on Railways & goods/cargo transport

- ⇒ Railways given ₹ 2.40 lakh crore = highest ever capital Expenditure on railways.
- ⇒ Railways to achieve net zero carbon emission by 2030. (2030 तक रेलवे द्वारा शुद्ध-रूप से शून्य कार्बन उत्सर्जन.)

55.5.3 → ☒ Interim-Budget-2024 ☒ 3 economic railway corridors

Three major economic railway corridor programmes

- (1) energy, mineral and cement corridors,
- (2) port connectivity corridors, and
- (3) high traffic density corridors. Furthermore, we'll convert 40,000 normal rail bogies to the Vande Bharat standards for - safety, convenience and comfort of passengers.

55.5.4 🛒 Budget-2025: nothing noteworthy for railways

Nothing noteworthy. she mentioned the word 'railways' only two times in whole speech. Probably Because she gave ₹12 lakh pe Income tax maaf so no need to sugarcoat budget with railways.

55.5.5 🚆 Transport → Misc. Hyperloop using vacuum tube

- ⇒ Space-X & Tesla founder Elon Musk proposed this 5th mode of transport after boat, rail, plane and automobile. Basically a vacuum / pneumatic tube system to transport passengers using aluminium pod cars.
- ⇒ Maharashtra Govt was talking with international developers to build a Hyperloop between Mumbai and Pune to cover 150 kms in 25 minutes.
- ⇒ Avishkar Hyperloop = IIT-Madras research team on Hyperloop

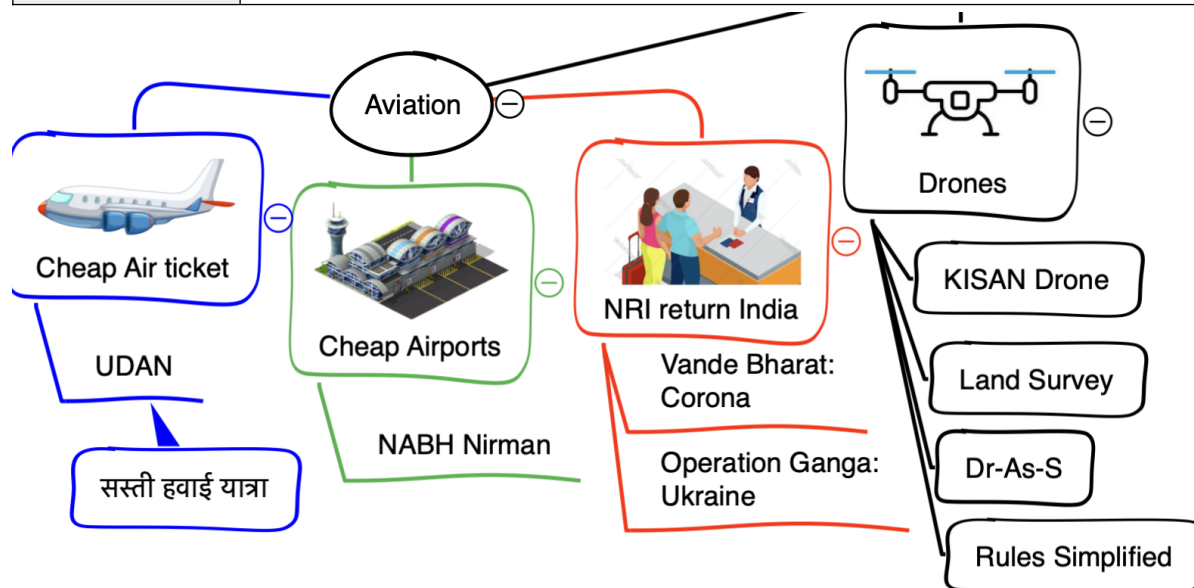
55.6 ✈ TRANSPORT → AVIATION (उड्डयन / हवाई यात्रा)

55.6.1 [Yearbook] Ministry of Civil Aviation नागर विमानन / नागरिक उड्डयन मंत्रालय

Dept	N/A [मंत्रालय के नीचे कोई विभाग नहीं है]
Attached	⇒ Directorate General of Civil Aviation (DGCA: महा निर्देशक): registers civil aircrafts, gives license to pilots, supervises gliding clubs, implements Chicago Convention on International Civil Aviation. ⇒ e-GCA online platform of Directorate General of Civil Aviation (DGCA)



	for pilot licensing etc.
Statutory Bodies वैधानिक संस्थाएं	– Airports Authority of India (AAI, Act 1994: भारतीय विमानपत्तन प्राधिकरण): Statutory body responsible for creating, upgrading, maintaining airports & runways in India. It operates 130+ airports in India- some directly, some via PPP basis e.g. GMR group → Delhi and Mumbai airports, Adani group → A'bad, Lucknow etc. – Airports Economic Regulatory Authority (Act 2008): Statutory regulator setup with powers regulate fees/tariffs charged at airports. 2019: New bill to increase its powers through some technical reforms. HQ. New Delhi. – Commission of Railway Safety (CRS) is under Administrative control of Aviation Ministry. (this is not printing mistake. this is the truth) – Aircraft Accident Investigation Bureau (AAIB)- In news due to AirIndia plane crash @ A'bad 241 died (2025-Jul)
CPSE सरकारी कंपनियां	– (1) Air India (Govt sold to Tata Ref: Pillar2D). – (2) Pawan Hans (Helicopter- Govt wants to privatize it as well) – (3) Hotel Corporation of India Ltd.
Autonomous	(1) Bureau of Civil Aviation Security,
Training	• Indira Gandhi Rashtriya Uran Akademi, Fursatganj, Amethi (UP), • Rajiv Gandhi National Aviation University. This central university has been established by the Rajiv Gandhi National Aviation University Act, 2013. HQ. Fursatganj, Raebareli, (Uttar Pradesh).



55.6.2 ➔ Civil Aviation Policy 2016: Highlights →

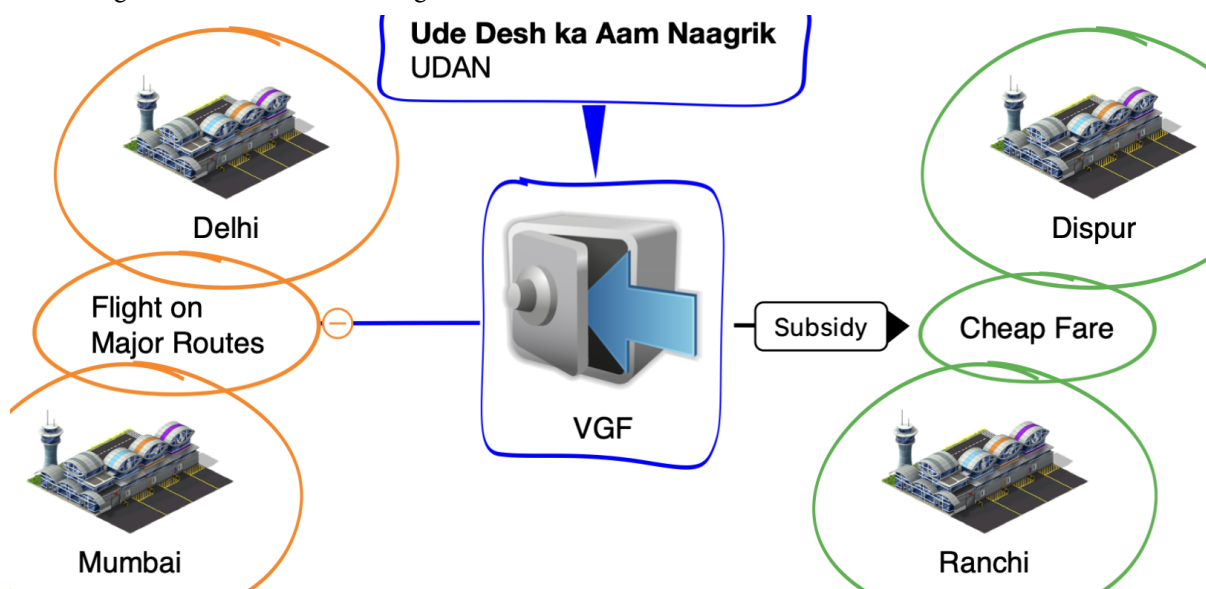
- More airports and flights for North East & small towns to improve regional connectivity.
- Making the air travel more affordable for middle class [मध्यम वर्ग के लिए हवाई यात्रा सस्ती करवाएंगे]
- Improving Airplanes' Maintenance, Repair and Overhaul (MRO) operations.

55.6.3 ➔ Transport → Cheap flights to Small Towns → UDAN

- **Boss?** Civil Aviation ministry (2017).
- Earlier, Airlines avoided small towns, fearing that not enough passengers will come.



- So, under Ude Desh ka Aam Naagrik- Regional Connectivity Scheme (RCS: क्षेत्रीय संयोजकता/कनेक्टिविटी योजना), Govt. fixed ₹ 2,500 airfare per seat for one-hour travel on selected regional / small town routes.
- Airlines fly @this rate, small town passengers will come because it's affordable, and if airline making any losses on such route → covered by Union's Viability Gap Funding (VGF)+ States also contribute 10-20% money depending on whether NE or Non-NE.
- Govt arranges VGF money by charging ~₹ 5000 levy per flight on airlines operating at major cities (E.g. Mumbai Bengaluru, A'bad-Delhi).
- 2018: “**International UDAN**” launched to connect India's smaller cities directly to some key foreign destinations in the neighbourhood. (पड़ोसी देशों के साथ भी सस्ती हवाई याता)



55.6.4 → Transport → Udan 3.0 (2018)

Civil Aviation Ministry invited the airline operators to bid for new regional routes connecting

- Additional tourist cities & North East cities.
- Seaplanes using Water Aerodromes (e.g. Statue of Unity-Sardar Sarovar Dam @Gujarat, Sabarmati RiverFront A'bad@Gujarat, Brahmaputra Riverfront Guwahati@Assam etc.)

55.6.5 → Transport → Build More Airports → NABH Nirman

- Budget 2018 announced 'NextGen Airports for BHarat' (= NABH) Nirman
- It aims to build 100 new airports in 15 years at the cost of ₹ 4 lakh crore (mostly via PPP)
- It also aims to expand / upgrade existing airports.
- 🧰 Budget-2023: 50 additional airports, heliports, water aerodromes for improving regional air connectivity. (नए हवाई अड्डे और हेलिकॉप्टर अड्डे- क्षेत्रीय हवाई संपर्क बढ़ाने के लिए)

55.6.6 ✈️ No Frills airports (बिना तामझाम वाले सस्ते हवाई-अड्डे)

- AAI develops No Frills airports at small towns / North East with only basic safety and security features.
- No fancy lounges with air-conditioners, no aerobridges, no escalators, no conveyor belts for luggage. → low operational costs.

for more about the public private partnership (PPP) in Airport → Refer Pillar5C: PPP.



55.6.7 ✈️👤 International airport tag for Jamnagar for Anant Ambani wedding

- Jamnagar (Gujarat) is a defence airport where commercial flights are also allowed.
- 2024-Feb/March: Jamnagar airport was temporarily declared an international airport for 10 days by Airports Authority of India (AAI)
- To handle international flights of Bill Gates, Mark Zuckerberg, Rihanna, PM of Qatar etc. who came to attend Anant Ambani wedding.

MCQ. Which have been constructed as Greenfield projects in recent years? (IAS-2024)

- (1) Donyi Polo Airport (2) Kushinagar International Airport
(3) Vijayawada International Airport

Codes: (a) 1 and 2 only. (b) 2 and 3 only (c) 1 and 3 only (d) 1,2 and 3. [This PHD NOT possible]

55.6.8 ✈️ Airways → Flexible airspace / Flexible Use of Airspace (FUA)?

- It is an airspace management concept that Airspace should not be designated as either purely civil or purely military airspace.
- Airspace should be allocated in a flexible way and always on a temporary basis- to civil and/or military users according to their requirement. (लचीला हवाई क्षेत्र की जिसे नागरिक और सैन्य दोनों उड़ान के लिए ज़रूरत के हिसाब से इस्तेमाल किया जाए।)
- It can greatly help reduce fuel consumption, and traffic congestion.
- Watch this Shorts for more https://youtu.be/SIWNRbve-hc?si=GeZGAZlms_uRB4ZP

55.6.9 ➡️🤖 Transport → Challenges to aviation sector (चुनौतियाँ)

- 🤖 **ATF-Taxes:** Airlines spend ~50% of the revenues on Aviation Turbine Fuel (ATF). India's ATF excise & VAT are among the highest in world = profitability hurt :- (ईंधन पर बहुत टैक्स लगता है)
- 🤖 **Predatory Pricing:** deliberately selling product below the cost price, to eliminate rival companies. AirDeccan, Spicejet etc. accused of this. It's bad for economy because in long term, either the firm will collapse or it'll establish monopoly by eliminating rivals. (प्रतिस्पर्धी कंपनियों का धंधा ठप्प करवाने वास्ते कुछ विमान कम्पनियां जानबूझकर बहुत सस्ते में टिकट बेचती थी, जिससे उसका खुद का धंधा चौपट हो गया।)
- 🤖 **Passenger Safety Compromised:** Due to higher operating costs, Indian Airlines not doing the regular service & maintenance of the aircraft. [मुनाफ़े की लालच में यात्री सुरक्षा को नज़रअंदाज़ किया जाता है]
- 🤖 Govt. owned Air India is making losses → 2021: Sold to Tata Sons ltd @approx ₹18,000 cr. [घाटे में चल रही एयर इंडिया को सरकार ने टाटा को बेचा]
- 🤖 Jet-Airways, a pvt sector airline, was shut down (in 2019) due to heavy losses.

55.6.10 ✈️ Airfare price ceiling (हवाई यात्रा दरों में नियंत्रण)

⇒ 2020-May: Civil Aviation ministry announced technical reforms e.g. The minimum airfare for Delhi to Mumbai is ₹3,500 and the maximum is ₹10,000. etc. 🙌 But poor cost benefit for exam.
⇒ This may help in

- Consumer protection during Corona travel. ग्राहक सुरक्षा.
- solving the 'predatory pricing' problem among aviation companies. ("जानबूझकर स्वयं की नुक़सानी में सस्ते टिकट बेचना ताकि दुश्मन कंपनी का धंधा बंद हो जाए".- उस पर रोक.)

55.6.11 ✈️👤 User Development Fee for airports

⇒ Airline add this fees inside airticket. Airlines give it to the airport operators for infrastructure improvement.



⇒ UDF needs approval from Airports Economic Regulatory Authority of India (AERA)

55.6.12 ✈️🇮🇳 Airports Economic Regulatory Authority of India (AERA) & UDF

- 2009: Airports Economic Regulatory Authority of India (AERA) AERA setup as a statutory body, under the civil aviation ministry.
- Function? (1) regulate the fees/charges for airports. (2) Quality control of Airports.

55.6.13 🚦👤♀️ DIGIYATRA Facial recognition Tech for paperless airport passage

⇒ New facial recognition software for paperless passage through airport checkpoints :

⇒ 2019: Digi Yatra Foundation (DYF) was set up as a not-for-profit company by Airport Authority of India (AAI), Cochin International Airport (CIAL), Bangalore International Airport (BIAL), Delhi International Airport Ltd. (DIAL), Hyderabad International Airport Ltd (HIAL) & Mumbai International Airport Ltd (MIAL).

⇒ explained in YT Short: <https://www.youtube.com/shorts/F3EJ4dvTQOc>

55.6.14 🚀 GAGAN GPS (2015)

GPS Aided Geo Augmented Navigation (GAGAN) is an augmentation system to enhance the accuracy and integrity of GPS signals for aviation. Jointly by AAI and ISRO.

55.6.15 🚀 Transport → Drone Regulation (ड्रोन विनियमन) & GARUD Portal

- **Boss?** Civil Aviation ministry designed the rules effective from 31/12/2018.
- India's airspace classified into (भारतीय वायु क्षेत्र को तीन हिस्सों में विभाजित किया गया है)
 - Red Zone (flying not permitted),
 - Yellow Zone (controlled airspace),
 - Green Zone (automatic permission).
- Drone-User will have to do one-time-registration with Digital Sky Platform app (पंजीकरण)
- Then for every flight, Drone user must ask permission from mobile app. Based on the zone & GPS location its system will automatically permit / deny.
- Any drone without a digital permit will not be able to takeoff. Thus, it has “no permission, no takeoff” (NPNT) mechanism.
- 🤔🤔 2020: **Garud Portal**: DGCA to give fastrack permission to Govt agencies for COVID-19 related drone operations.
- 📖📖 ES22: Ministry of Civil Aviation has ↓ the drone registration fees, ↓ the numbers documents for registration, ↓ the penalties. So we should explore similar process simplification in other sectors as well. (आर्थिक सर्वेक्षण में पाया कि सरकार ने ड्रोन पंजीकरण में लगने वाले दस्तावेजों और फीस की मात्रा में कटौती की है. इसी प्रकार का प्रक्रिया-सरलीकरण अन्य क्षेत्रों में भी करना चाहिए.)

55.6.16 🚀 Transport → Drones in 🛒👤 Budget-2022

⇒ ‘Kisan Drones’ for digitization of land records, crop assessment, spraying of insecticides, and fertilizers. (भूमि सर्वेक्षण और खेतीबाड़ी के लिए किसान-ड्रोन)

⇒ ‘Drone Shakti’: Drone-As-A-Service (DrAAS). HOW? Not disclosed, but probably related to ‘renting’ drones by paying daily/weekly/monthly fees. (ड्रोन एक सेवा के रूप में/ किराए पे लेने के लिए)



- ⇒ Drone training in ITIs (industrial training institutes) (ड्रोन-उड़ान, ड्रोन-मरम्मत के लिए आईटीआई में शिक्षा/तालीम)
- ⇒ 🖐️ Drone import banned except for R&D & defence. This will help domestic / swadeshi drone industry. (ड्रोन का आयात हुआ प्रतिबंधित- सिवाय के संशोधन नवाचार या रक्षा के लिए विदेशी ड्रोन खरीदना हो ।)
- ⇒ Drone sector identified as a sunrise sector will be given various benefits in taxation subsidies. (सूर्योदय क्षेत्र के रूप में कराधान और सब्सिडी में रियायतें/ लाभ/ छूट दी जाएगी।)

55.6.17 ➔ Transport → Drone Challenges

- 2019: Iran-backed Yemenis Houthi rebels used drone to destroy oil refineries in **Abqaiq, Saudi**.
2022: they drone-attacked oil company in UAE's Abu Dhabi. (आतंकी गतिविधियों में हुआ इस्तेमाल)
- 2019: USA used drone to kill Iran's military General Qassem Soleimani.
- So, we need to have strict supervision to prevent misuse of drones. (गैर कानूनी गतिविधियों में ड्रोन का इस्तेमाल न हो इस वास्ते सख्त निगरानी ज़रूरी)

55.6.18 🚚✈️ Lifeline UDAN for drug/mask/PPE delivery in Corona-2020

- Ministry of Civil Aviation launched 'Lifeline UDAN' in March 2020.
- To ensure a steady supply of essentials as well as medical supplies, Personal Protective Equipment (PPEs), test kits, etc., to all parts of the country.

55.6.19 🗞️➔Airbubble Agreement

"Air bubble/Transport Bubbles" are temporary arrangements between two countries to restart passenger airplanes when regular international flights are suspended by COVID-19 pandemic. INDIA HAS more than 25 such pacts e.g. with SriLanka [कोरोना के दौरान हवाई यात्रा समझौता]

55.6.20 🗞️✈️ Operation Ganga 2022: Ukraine se Ghar Wapasi

for rescuing Indians stuck in Ukraine and cities of neighbouring countries of Romania (Bucharest and Suceava), Hungary (Budapest), Poland (Rzeszow) and Slovakia (Kosice).

55.6.21 🚚✈️ Air taxi services (2025)

- Air taxis or electric vertical take-off and landing (eVTOL) aircraft.
- eVTOLs, powered by electricity, take off and land vertically like helicopters. But shift into forward flight using tilt rotors. They can help reduce traffic congestion.
- The Indian government plans to conduct trials.

55.7 🗽 TOURISM & MUSEUM INFRASTRUCTURE (प्रवासन व संग्रहालय)

- World Economic Forum's Travel & Tourism Competitive Index: India's rank improved from #64(2014) → #34(2019). Afterwards I stopped tracking it for poor cost:benefit in MCQs.
- 📖 ES25: tourism contributes to 5% GDP & 7cr+ jobs.
- In India, tourism sector is a major contributor to GDP growth, foreign exchange earnings and employment. However, Covid-19 pandemic had a debilitating impact on world tourism. (आम दिनों में प्रवासन उद्योग से आर्थिक वृद्धि, विदेशी मुद्रा की कमाई, तथा रोज़गार में बढ़ोतरी मिलती है. किन्तु कोरोना महामारी के चलते- पूरे विश्व और भारत में प्रवासन उद्योग को भुगतना पड़ा भारी नुकसान।)
- **Medical Tourism:** Ref Pillar4B – Make in India. [चिकित्सा प्रवासन पर ध्यान दिया जाए]
- **MICE Tourism:** Meetings, incentives, conferences & exhibitions' Tourism. 🍷 Benefit? (1) Biz investment / Import export deals (2) Soft Diplomacy & Development loans: e.g. African



Development Bank (AfDB)'s annual summit held in Mahatma Mandir, Guj (2017). (3)
People2People connect (4) Income from event management. [समारोह प्रवासन]

55.7.1 🏠🗺️ [Yearbook] Ministry of Tourism

Dept	⇒ N/A
Attached, Subordinate, Statutory	⇒ N/A or not MCQ worthy (या तो विद्यमान ही नहीं है या परीक्षा के लिए काम की नहीं)
Autonomous	⇒ Indian Institute of Tourism and Travel Management ⇒ National Institute of Watersports ⇒ National Council for Hotel Management & Catering Technology ⇒ Institutes of Hotel Management
CPSE	⇒ (*) India Tourism Development Corporation
E-governance	⇒ National Integrated Database of Hospitality Industry (NIDHI) to give a clear picture of the geographical spread of the Hospitality Sector

(*) means approved for strategic disinvestment (=privatization) in 2019.

55.7.2 🏠🗺️ Tourism → PRASAD & HRIDAY Mission (2014)

Both are Central Sector Schemes: 100% funded by Union. Both aim to improve the city infrastructure & amenities with special focus on improving the tourism.

PRASAD (2014-15)	HRIDAY (2014-15)
Pilgrimage Rejuvenation & Spiritual Augmentation Drive.	National Heritage City Development and Augmentation Yojana [धरोहर वाले शहरो का विकास]
Ministry of Tourism, initially 12 cities but then list keeps getting expanded to 20+. [यात्रा धाम वाले शहरो का विकास]	Ministry of Urban Development, 12 cities: Ajmer (Rajasthan), Amaravati (Andhra Pradesh), Amritsar (Punjab), Badami (Karnataka), Dwaraka (Gujarat), Gaya (Bihar), Kanchipuram (Tamil Nadu), Mathura (UP), Puri (Odisha), Varanasi (Uttar Pradesh), Velankanni (Tamil Nadu), Warangal (Telangana),

55.7.3 Tourism: Misc. Other before Corona-2020

- ⇒ 2015: Ministry of Tourism launched the **Swadesh Darshan Scheme** to develop circuits having tourism potential e.g. Tourist reception Centres, Solid Waste Management, Streetlight, Landscaping, parking etc. where the Private Sector is not willing to invest.
- ⇒ To facilitate international tourism, India introduced the **e-Tourist Visa** online application system. 2016: Government renamed e-Visa scheme with five sub-categories i.e. 'e-Tourist Visa', 'e-Business Visa', 'e-Medical Visa', 'e-Conference Visa' and 'e-Medical Attendant Visa'

55.7.4 🏠🗺️ Tourism Ministry → Atma-Nirbhar initiatives & 🛍️ Budget-2022

🤖🗺️ "Stranded in India"	portal for foreigners stuck in India in Corona [विदेशी पर्यटकों की मदद]
🤖🗺️ "Dekho Apna Desh"	virtual campaign / webinar to promote tourism. To encourage Indian middle class to prefer domestic tourism over international.
🛍️ Budget-2022	Parvatmala National Ropeways Development Programme via Public Private Partnership (PPP)

55.7.5 🏠🗺️ Dharamshala Declaration 2022

- ⇒ By tourism ministry, to make India global leader in tourism in 2047, when the country turns 100.



⇒ Earn \$1 trillion by 2047 from tourism.

⇒ Develop medical tourism, film-shooting tourism, Yuva Tourism club, etc.

55.7.6 🧑🎨📅 [Yearbook] Ministry of Culture (संस्कृति मंत्रालय)

Dept	⇒ N/A
Attached संलग्न	⇒ Archaeological Survey of India, New Delhi (पुरातत्व विभाग) ⇒ National Archives of India, New Delhi
Subordinate अधीनस्थ	1] Kolkata: = Anthropological Survey of India [मानव विज्ञान सर्वेक्षण], National Library [राष्ट्रीय पुस्तकालय], 2] Delhi = National Museum [राष्ट्रीय संग्रहालय]
Autonomous Bodies स्वायत्त संस्थान	⇒ Lalit Kala Akademi, New Delhi National School of Drama, New Delhi ⇒ Sahitya Akademi, New Delhi Sangeet Natak Akademi, New Delhi ⇒ Central Institute of Buddhist Studies, Leh ⇒ Central Universities of Tibetan Studies, Sarnath, Varanasi ⇒ The Asiatic Society, Kolkata Jallianwala Bagh National Memorial Trust ⇒ Zonal Cultural centers

📅 Budget-2020: an **Indian Institute of Heritage and Conservation** under Ministry of Culture with the status of a deemed University. (Although location = yet to be announced)

55.7.7 🇮🇳🏛️ Tourism → Museum Infra in 🏛️ Budget-2020 (संग्रहालय)

5 Onsite Archaeological Museums at	Rakhigarhi (Haryana), Hastinapur (Uttar Pradesh) Shirsagar (Assam), Dholavira (Gujarat) and Adichanallur (Tamil Nadu).
Maritime Heritage Museum / complex	Lothal - the Harrapan age maritime site near Ahmedabad, Gujarat, by Shipping Ministry
Oldest Museum	Indian Museum in Kolkata is the oldest. We'll renovate it.
Museum on Numismatics and Trade (सिक्का-शास्त्र)	To be setup at Old Mint building Kolkata (Ref: Pillar#1A)
Tribal Museum	Ranchi (Jharkhand)

55.7.8 🇮🇳 Bharat Ran bhoomi Darshan App for battlefield tourism (2025)

- Boss? Ministry of Defence, Ministry of Tourism & Army
- tourist will be able to visit historical battle-sites of 1962, 1971, and 1999 (Kargil) conflicts, Siachen base camp, Galwan clash (2020).

55.7.9 🏛️📱 BHARAT Shri digital museum for inscriptions in 🏛️ Budget-2023

Bharat Shared Repository of Inscriptions (Bharat SHRI) digital museum will store one lakh ancient inscriptions (पुराने अभिलेखों को स्कैन करके डिजिटल संग्रहालय में रखेंगे)

55.7.10 🏠 Budget-2025 on Transport

- Large ships above a "X" size will be given infrastructure status.
- Maritime Development Fund worth ₹ 25,000 crore will be set up. With 49% funding by Union.
- Modified UDAN scheme for 120 new destinations 4 crore passengers in the next 10 years
- Bihar: (1) Greenfield airports in Bihar.(2) Brownfield airport at Bihta, Bihar.
- "Medical Tourism" and "Heal in India" will be promoted.

📄 Next Handout: Pillar5C: Urban, Rural, then 5D: Communication, PM-GATI-Shakti etc.



Pillar#5C: Infrastructure- Sadak (Transport), My City, Village & Home & Comm/IT & Space

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56 INFRASTRUCTURE → 🏠 URBAN (शहरी बुनियादी अवसंरचना)

	2011	2030
Urban population	31%	40% (and 50% by 2050)
Contribution to GDP	63%	75%

- **Introduction (Data):** Urban areas support >30% of India's population and contribute to more than 60% of India's GDP. These figures are expected to grow to 40% and 75% respectively by 2030. देश की आबादी और सकल घरेलू उत्पाद का एक बड़ा हिस्सा शहरी इलाकों से आता है।



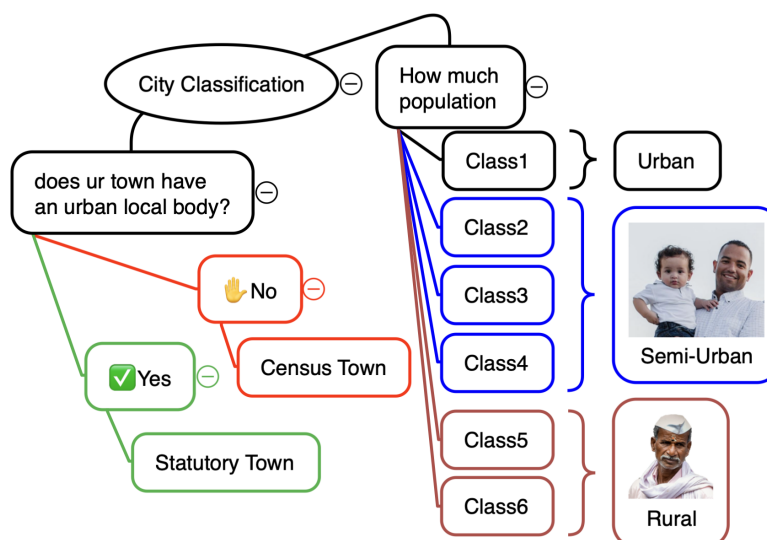
- Urban development is a **state subject** and the Constitution (Seventy-Fourth) Amendment Act, 1992, enjoins upon the state govs to delegate many functions to urban local bodies.
- However, Union Government plays a coordinating and monitoring role.

56.1 🏠 URBAN → CENSUS DEFINITIONS

Census-2011 definitions of urban area: (जनगणना)

Statutory towns 4000+	If an area is governed by a municipality, corporation, cantonment board or notified town area committee, etc.
Census towns 3800+	If an area doesn't have municipality etc. yet it could be counted as a 'town' if - Minimum 5000 people residing; AND - Min. population density: 400/sqkm AND - Min.75% of males engaged in non-agriculture occupations

Census-2027 will also use the same definition given as above.



Size / class of the area		Population Size
Urban	Class I	1,00,000 & above: further Metro city = 40 lakh / >, mega city = 1 cr / >
	Class II	50,000 - 99,999
Semi-Urban	Class III	20,000 - 49,999
	Class IV	10,000 - 19,999
Rural** (if <75% male population in non-agro)	Class V	5,000 - 9,999
	Class VI	less than 5,000

Related Term: Constitution (74th Amendment) Act, 1992 defines a **Metropolitan Area** = population of 10 lakhs or more, comprising of one or more districts.

MCQ. Find correct about Urban Population in India as per Census 2011? (Geosci'24)

- More than 31% of the total population lives in towns.
- The number of towns was more than 7500.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2



Note: I have been teaching this (census-statutory towns topic) for a decade, and in 2024 UPSC asked this. So do not mistake last two years' MCQs = 'trend', and the propaganda by youtube-vloggers against my 'lengthy handouts'.

56.1.1 🏠 URBAN → [Yearbook] MoHUA

2017: PM Modi merged (1) Ministry of Urban Development and Housing (2) Ministry of Urban Poverty Alleviation into a single ministry called →

👤🏠 Ministry of Housing & Urban Affairs आवासन एवं शहरी कार्य मंत्रालय consists of →

Dept	NA
Attached offices	⇒ Central Public Works Department (CPWD) केन्द्रीय लोक निर्माण विभाग ⇒ National Buildings Organisation (NBO) राष्ट्रीय भवन निर्माण संगठन ⇒ Land & Development Office (L&DO)- it has two Portals: 1) E-SAMPADA- for allocation of central govt houses/office buildings 2) E-DHARTI - property disputes, registration etc in Delhi
Statutory वैधानिक	– Delhi Development Authority, Rajghat Samadhi Committee, – Delhi Urban Arts Commission, Capital Region Planning Board
Autonomous Bodies स्वायत्त संस्थान	– National Institute of Urban Affairs – Building Materials & Technology Promotion Council (BMTPC) – Central Government Employees Welfare Housing Organisation – National Cooperative Housing Federation of India (NCHFI)
Subordinate Office अधीनस्थ कार्यालय	– Town & Country Planning Organisation – Government of India Stationery Office – Department of Publication (responsible for printing Gazettes)
CPSE सार्वजनिक क्षेत्र के उपक्रम	– Housing and Urban Development Corporation Ltd. (HUDCO) – National Buildings Construction Corporation Limited – (*) Hindustan Prefab Limited (HPL) (* means approved for strategic disinvestment (=privatization) in 2019
E-governance	– 2019: mHariyali App to encourage Public to plant trees & uploads it geotagged photos through App.
Policy	– 2007: National Urban Housing & Habitat Policy 2007

MCQ. Find correct: (Prelims-2022)

- The India Sanitation Coalition is a platform to promote sustainable sanitation and is funded by the Government of India and the World Health Organization.
- The National Institute of Urban Affairs is an apex body of the Ministry of Housing and Urban Affairs and provides innovative solutions to address the challenges of Urban India.

Answer Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

56.1.2 2020 marks 5th Anniversary of Urban Mission

Schemes →	Collectively called
1) 500 AMRUT cities 2) 100 Smart cities →	Urban Rejuvenation Mission (शहरी कायाकल्प मिशन)
Above two + PM Awas Yojana (Urban) →	Urban missions



56.2 🏠 URBAN → AMRUT MISSION (2015) → 500 CITIES

2005: Manmohan launched Jawaharlal Nehru National Urban Renewal Mission (JNNURM).

→ 2015: Modi repacked it as Atal Mission for Rejuvenation and Urban Transformation (AMRUT).

- 🧑 **Boss?** Urban Development Ministry. Core Scheme = NOT 100% funded by Union.
- Covering 500 cities with population of 1 lakh /> people
- **Validity?** 2015 to 31/3/2020. It's a five-year SUNSET scheme Then later on govt **renewed for another 2 years, till 31/3/2022.** योजना की अवधि को बढ़ाया गया
- Aims to improve basic infrastructure - public transport, water supply, sewerage, storm-water drains, green spaces and parks. (सार्वजनिक परिवहन, जल आपूर्ति, गटर, बारिश के पानी की नालियां, बाग-बगीचे)

56.2.1 🏠 AMRUT Funding between Union and States

funding ratio	IF
50:50	big city= If city population more than 1 million
80:20	smaller city = if city population upto 1 million
90:10	North East and Himalayan State (=sp.category states)

56.2.2 🏠 AMRUT: 2 components

- 1. Basic Services for Urban Poor (BSUP) and Integrated Housing
- 2. Slum Development Programme (IHSDP),

56.2.3 🏠 AMRUT: 3 reforms

- 1. allot 25% municipal budget for the urban poor
- 2. implement 7-Point Charter, namely provision of land tenure, affordable housing, water, sanitation, education, health and social security to the poor
- 3. reserve 25% land in all housing projects for slum improvement. (applicable for both public and private sector housing projects.)

56.2.4 🏠 AMRUT 2.0 [2021-Oct]

⇒ Primary objective: "WATER SECURE" Cities ["जल सुरक्षित" शहरों का विकास इसका उद्देश्य है]

⇒ 100% connectivity for water-sewage to all households in 4700 urban local bodies. [नगरपालिका विस्तार के सभी घरों को पानी और गटर की सुविधा मिले]

⇒ Focus on circular economy for water management, with latest global technology.

56.3 🏠 URBAN → SMART CITIES MISSION (2015) → 100 CITIES

- Cities prepare Smart city plan → send to state government → MoHUA → final selection among total 100 slots with internal quotas assigned to each state/UT in proportion of their population and number of statutory towns.
- So, UP (13) > TN (12) > Maharashtra (10).....Union territories and special category states are given minimum 1 City each e.g. Srinagar(J&K), Arunachal (Pasighat, Itanagar), Kavaratti (Lakshadweep), Andaman-Nicobar-Islands (Port Blair) etc.



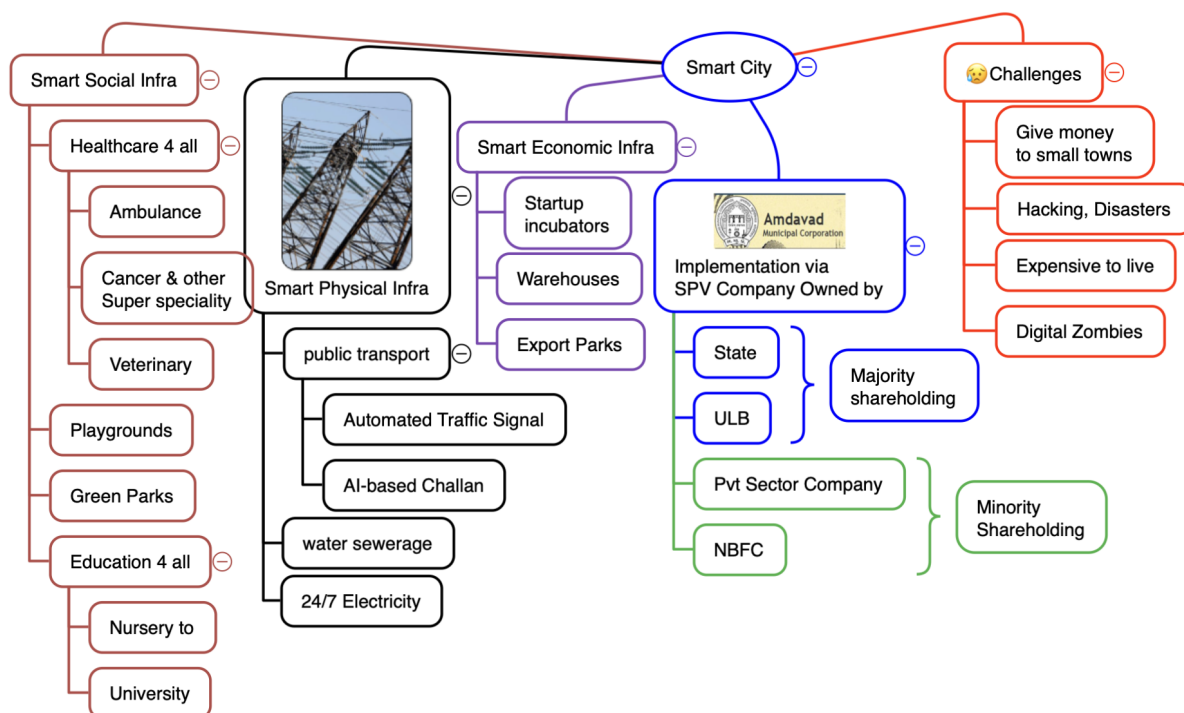
56.3.1 🏠👥 Sister City project

2020: Urban ministry found some Smart cities are lagging behind in implementation of projects. (Biharsharif, Bareilly, Itanagar, Moradabad, Saharanpur etc.)

⇒ So, Top-20 best performing smart cities will be paired with Bottom-20 worst performing smart cities as 'Sister Cities'. अच्छा प्रदर्शन करने वाले शहरों की बुरा प्रदर्शन करने वाले शहरों के साथ जुगलबंदी

⇒ E.g. Ahmedabad (Rank#1) paired with Chandigarh (Rank#81)

⇒ 🤝 Benefit? Sharing of best practices with each other, inspiration & motivation etc.



56.3.2 🙌🏠 Smart city program ended

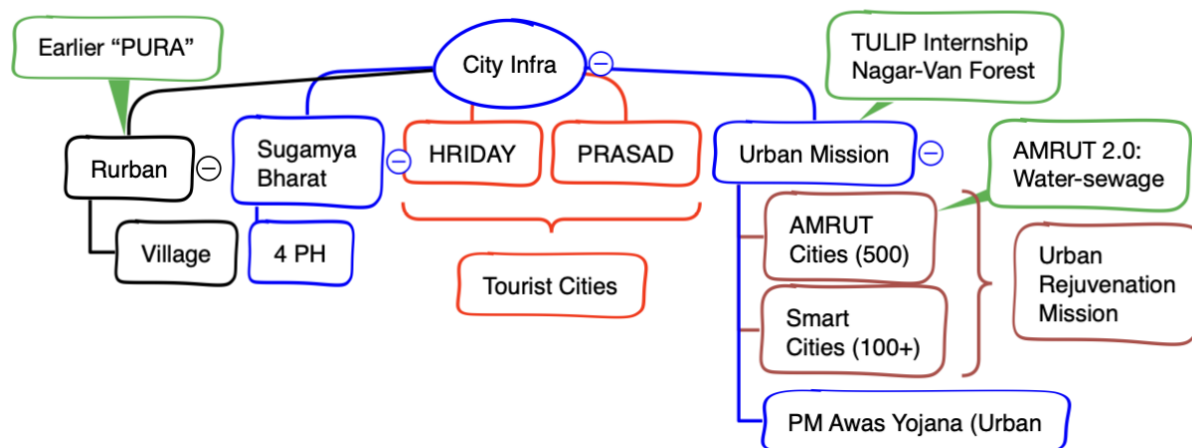
- 2015: Smart Cities Mission launched for five years. But then government kept extending it. 2025-March: finally expired.
- Each smart city had setup a special purpose vehicle (spv) company to run the Integrated Command and Control Centre (ICCC).
- Controversy? MoHUA is yet to announce any plans for the existing 100 SPVs and whether they would be given any funds beyond March 31 to continue operations.

56.3.3 🤝🏠 Cities Coalition for Circularity (C-3)

- Mastermind? Ministry of Housing & Urban Affairs
- A multi-nation alliance for city-to-city collaboration, knowledge-sharing, and private sector partnerships for sustainable urban development.
- A digital platform for knowledge exchange for cities.

56.3.4 💰🏠 Urban Challenge Fund in 🏠 Budget-2025 (₹1 lakh cr)

- Urban Challenge Fund of 1 lakh crore
- to implement the proposals for 'Cities as Growth Hubs', - 'Creative Redevelopment of Cities' and 'Water and Sanitation'. This fund will give upto 25% funding to a given project.



56.3.5 🏠👨🎓 Cities → TULIP Internship (2020-June)

- ⇒ TULIP (The Urban Learning Internship Programme.)
- ⇒ 👤 **Boss?** Joint initiative by Minister for Housing and Urban Development (MoHUA) and the All India Council for Technical Education (AICTE, Statutory body under the HRD/Edu Ministry) for giving 1 crore internships by 2025.
- ⇒ Urban local bodies (ULB) can announce Internship opportunities on TULIP website.
- ⇒ **Internship subjects?** Urban Planning, Water Supply, Waste Management, Slum rehabilitation, Digital Governance, Transport Engineering, Municipal Finance. (शहरी नियोजन, जल आपूर्ति, अपशिष्ट प्रबंधन, झुग्गी-पुनर्वास, डिजिटल प्रशासन, परिवहन इंजीनियरिंग, नगर निगम वित्त प्रबंधन)
- ⇒ **Eligibility?** Indian citizen who finished the final year of college within the last 18 months. (योग्यता)
- ⇒ **Duration of Internship?** eight weeks to one year. (इंटर्नशिप/ प्रशिक्षुओं की अवधि)
- ⇒ **Budget allocation?** No separate budget provided but stipend may be given from the funds available under may be used from smart cities, AMRUT etc schemes, if ULBs wish
- ⇒ 🙌 Further administrative procedures / Salient features of the scheme = poor cost benefit.

56.3.6 🏠👨🎓👤🚶 URBAN → Misc → PH friendly → Sugamya Bharat (2014)

👤 **Boss?** Ministry Social Justice and Empowerment → Divyangjan Dept.

- Ramps in public buildings / railways / airports; toilets for wheelchair users, Braille symbols and auditory signals in lifts, disabled-friendly websites etc. so that life becomes easier for the PH.
- Under Accessible India Campaign (Sugamya Bharat Abhiyaan), Divyangjan Dept hires auditors to check public buildings & websites → then respective organization required to do above things under the Persons with Disabilities Act (विकलांग व्यक्ति अधिनियम). Grants given as & where required.
- + Awareness generation, IEC, mobile app etc.

AB CD **!?** MCQ. Find correct regarding the Sugamya Bharat Abhiyan: (CDS-2024-1)

1. This programme is initiated by the Department of Empowerment of Persons with Disabilities, Ministry of Social Justice and Empowerment.
2. It aims to develop an inclusive society for persons with disabilities.
3. It has provisions of pension for persons with disabilities.

Codes: (a) 1, 2 and 3 (b) 1 and 2 only (c) 2 and 3 only (d) 1 only



Note: Observe the scheme was made in 2014, and above **MCQ asked after 10 years in 2024.** So do not fall into trap of the YouTube-GuessMasters about 'lengthy-handouts'

56.3.7 🏠 Cities → Misc → Floor Space index (FSI)

⇒ It prescribes the maximum construction that can be done in a given area of land.

⇒ 📈 ↑ FSI = more number of floors may be created = more residents may be accommodated in a single building. Norms are decided by the Municipal / Local bodies / State Government.

56.3.8 🏠🌳 URBAN → Misc → Nagar VAN (2020-Jun)

⇒ 🧑 **Boss?** Ministry of Environment, Forest and Climate Change (पर्यावरण, वन और जलवायु परिवर्तन)

⇒ To develop **200 Urban Forests** across the cities of India in **5 years**.

56.3.9 🏠 URBAN → Misc → Parliament area, Central Vista

⇒ 🧑 **Boss?** Ministry of Housing & Urban Affairs → CPWD

⇒ New Delhi's Central Vista region has Rashtrapati Bhawan, Parliament House, North and South Block, India Gate, National Archives etc.

- All these iconic buildings were constructed before 1931. So these old buildings pose structural dangers. (जर्जर इमारत गिरने का डर)

- Central Govt ministries/dept/offices are scattered over different locations → → unnecessary travel & pollution.

⇒ So, Central Vista project aims to redevelop these buildings @₹20,000 crores. (पुनर्निर्माण)

⇒ 😊 2022 = India's 75th Independence Day. So, govt hoped to finish building parliament by 2022. Other buildings to be finished in 2021-24.

⇒ 😞 Then Corona: funding issues, SC petitions, Bhumi-Pooja etc current affairs. But ball by ball commentary of news is not important for exam.

56.3.10 🏠 Urban Infra → Ghost Shopping Malls (भूतिया मॉल, जिधर दुकानें खाली है)

- Ghost shopping centers = malls with more than 40% unoccupied shops. (कोई भाड़े पे नहीं ले रहा)
- **Reason?** consumer shifting to online shopping (2) Failure of many smaller malls to adapt to changing market demands.
- India has 64 such malls occupying 13 million sq. ft space (2023)

56.3.11 🏠🇮🇳 Cities → Index: TWO Indices for Quality of Life

2021-March: Urban ministry launched two indexes/indices to assess quality of life of citizens in 100 Smart Cities and 14 other Million Plus Cities viz. Following area the rankings for 2020:

- Ease of Living Index (EoLI) Top5: Bengaluru, Pune Ahmedabad Chennai Surat.
- Municipal Performance Index (MPI) Top5: Indore, Surat, Bhopal, Pimpri-Chinchwad, Pune.

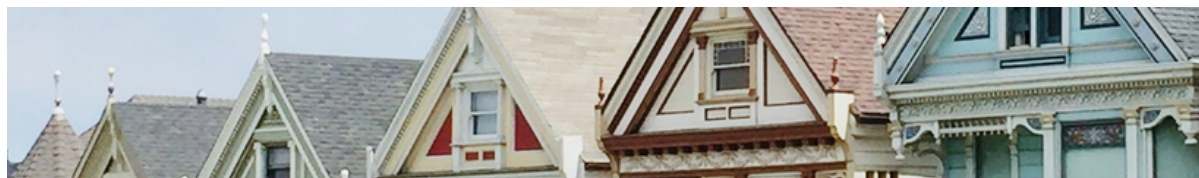
Note: Above rankings for Million+ Pollution walli Cities. There is Separate ranking for cities with less than million population. इसके अलावा 10 लाख से कम आबादी वाले शहरों के लिए अलग से रैंकिंग बनाया है.

56.3.12 🏠🇮🇳 Cities → Index → Misc. (don't loose sleep)

IUDX	India Urban Data Exchange (IUDX) by MoHUA + Indian Institute of Science (IISc), Bangalore. This portal provides open source data for researchers / app developers / startups. संशोधन कर्ताओं को डाटा प्रदान करने के लिए
------	--

Global Smart City Index	⇒ Institute for Management Development (IMD, Switzerland) with Singapore University for Technology. ⇒ 2023: Zurich (1st), Oslo (2nd) and Canberra (3rd).... Indian cities like New Delhi, Mumbai, Hyderabad, Bengaluru far behind in ranking- due to high level of pollution, poor quality of water-sanitation etc.
Global Liveability Index	⇒ by the Economist magazine's Economist Intelligence Unit (EIU) ⇒ 2021: New Zealand's Auckland is world's most liveable city due to its successful handling of the Corona pandemic. (रहने योग्य सबसे उपयुक्त शहर)
Global Real Estate Transparency Index	By a low-profile private organization. Poor Cost:Benefit preparing. कोई छोटी वाली निजी क्षेत्र की संस्था बनाती है ऐसे हर सूचकांक को पढ़ने में खास फायदा नहीं
World Smart City Award	India won the World Smart City Award (Innovation category) at Smart City Expo World Congress-2022 in Barcelona (SPAIN)

56.4 (🏠) INFRA → (URBAN AND RURAL) → HOUSING FOR ALL BY 2022



- 1985: Indira Awas Yojana for rural areas gave money to poor families to build homes,
- 2008: Rajiv Rinn Yojana for urban areas gave home loan Interest subsidy to poor.
- 2015-16: Modi restructured them into Pradhan Mantri Awas Yojana (PMAY).
- It's a Centrally Sponsored Scheme → Core Scheme = NOT 100% funded by Union. States also need to contribute money. 60-40 for normal states. 90-10 for NE/Himalayan States. (केंद्र द्वारा प्रायोजित → महत्वपूर्ण योजना).
- **Target:** Housing for all by 2022. (is this accomplished? Ans. no clear answer is given in India Yearbook-2023 or Eco Survey 2023.)
- PMAY has two components.

🏠👤🔧 PMAY (Urban)	🏠👤🌾 PMAY (Rural / Gramin)
by Ministry of Housing and Urban Affairs	By Ministry of Rural Development .
It has following components: (योजना के घटक/अवयव)	Beneficiaries are identified through SECC-2011 data, and verified by Gram Sabha. They're given money to build home.
➤ If person owns land: give him ₹ 1.50 lakh to build / renovate his house. ➤ If a builder is keeping 35% apartments' quota for EWS then builder gets subsidy. ➤ Slum redevelopment (झोपड़ियों को हटाकर गरीबों को पक्के मकान बना कर देना) ➤ Credit-linked subsidy scheme (CLSS): Depending on the annual income, the beneficiaries are classified into 3 groups:	- ₹ 1.20 lakh (plains area), - ₹ 1.30 lakh (hilly states) - Additionally, they can get upto ₹ 70,000 as bank loans Money transferred to beneficiary's bank account via AwaasSoft web platform.
	- Convergence with other schemes to provide electricity, LPG, drinking water & toilet. अन्य योजनाओं के साथ समन्वय



  PMAY (Urban)	  PMAY (Rural / Gramin)
a. Economically Weaker Section (EWS), b. Low Income Groups (LIGs) c. Middle Income Groups (MIGs: i.e. annual income upto ₹ 18 lakhs). These groups are given 3-4% interest subsidy on loan amounts upto ₹ “x” lakhs. Govt has setup Credit-linked Subsidy Services Awas (CLAP) Portal where beneficiary can track his application status in real-time. 5) AHRC: given below	- Also provides skill programs for rural masons. ग्रामीण कारीगरों के लिए कौशल कार्यक्रम - minimum size of house is 25 sq.meters. <u>Reservation Target:</u> - min 60% houses for SC/ST (While some states may have less % of SC/ST population, so this is not every state-level target. It is national-level target.) - 5% houses for PH. (उसमे भी first priority given to PH-women).

56.4.1 → Affordable rental housing Complexes (AHRC)

किराए के मकान किरायती दरों पर गरीबों और प्रवासी श्रमिकों के लिए. → बिल्डर सरकारी जमीन पर / जर्जर सरकारी मकानों तो तोड़कर नए मकान बनाएगा- गरीब किरायेदारों के लिए. इस योजना में बिल्डर को रियायती दरों पर कर्जा और टैक्स में लाभ दिया जाएगा

⇒  **Boss?** Ministry of Housing & Urban Affairs (MoHUA)

⇒ Pradhan Mantri Awas Yojana – Urban (PMAY–U) → new subcomponent AHRC launched in 2020-May (under Atma-Nirbhar initiative).

⇒ Govt will sign an agreement with builders (technically called as "Concessionaire"). Basically..

⇒ Builders will be given vacant govt land & dilapidated govt buildings, concessional loans, and tax relief. (How exactly? NOT IMP)

⇒ Builders will construct housing complexes → rent it for 25 years at affordable prices to urban migrants / poor.

⇒  **Benefit?** Migrants live in slums, illegal colonies or peri-urban areas to save rent. They spend lot of time travelling to workplaces. AHRC will ↓ unnecessary travel from peripheral areas, congestion and pollution.

56.4.2 → PMAY–U → Angikaar

⇒ Pradhan Mantri Awas Yojana – Urban (PMAY–U) → Angikaar campaign launched to mobilise communities for water & energy conservation, waste management, sanitation, hygiene. बिजली पानी बचाओ स्वच्छता अभियान जागृति अभियान

56.4.3 → PMAY–U → Light House Project (LHP)

- in 6 states (Gujarat, Jharkhand, Madhya Pradesh, Tamil Nadu, Tripura and Uttar Pradesh)
- To adopt/copy best globe design practices for constructing cheap/cost effective, fast paced, sustainable, resource efficient and disaster resilient homes.

56.4.4 → National Urban Housing Fund (2018)

 **Boss?** Ministry of Housing and Urban Affairs → (Autonomous body) Building Materials and Technology Promotion Council.

- They'll raise mobilize ₹ 60,000 crores in next 4 years to finance the PMAY (Urban).



- This money will be raised through 'extra Budgetary Resources' i.e. BMTPC itself borrowing from market / CPSEs / lenders without involvement of Govt. ~~(so Govt's fiscal deficit appears under control.)~~ (More in Pillar#2D) (बजटेंतर संसाधन)

56.4.5 → SWAMIH Fund (रुके हुए मकान प्रोजेक्ट खत्म करने वास्ते बिल्डर को थोड़ी लोन देदो योजना)

- ⇒ MoHUA, LIC, Banks etc gave ₹ to SBICAP Ventures Ltd (an NBFC) → "Special Window for Completion of Affordable and Mid-Income Housing (Swamih Investment Fund)".
- ⇒ **SWAMIH Fund** gives loans stalled projects for affordable and Middle-Income Housing. e.g. Builder unable to finish project → extra ₹ from here, so he can finish project.

56.4.6 NHB - concessional housing refinance (सस्ते ब्याज के गृह-ऋण)

- ⇒ National housing bank is providing refinancing to Banks/NBFC. What is refinancing? = Ref: Pillar#1D3
- ⇒ In this refinance- NHB to give x% loan concession/discount/subsidy for following loan interests:
- ⇒ 0.25-0.30% for housing for women, rural areas, SC/ ST, aspirational districts, north-eastern region, third gender, PH, J&K, Ladakh.
- ⇒ 1% for Green Housing.

56.4.7 PM Unauthorized colonies in Delhi Awaas adhikar Yojna (PM-UDAY)

- for giving ownership rights to people living in 1,731 unauthorised colonies in Delhi.

56.4.8 Award to Odisha's JAGA Mission

2023: UN-Habitat's World Habitat Awards 2023 given to Odisha government's Odisha Liveable Habitat Mission also known as 'Jaga Mission' in partnership with Tata Trust.

- ⇒ In this scheme, urban slum dwellers are given land ownership titles, create road, streetlight, water-sanitation infrastructure → Then Govt will not evict /destroy their slums. Permanent home address proof also helps poor families to enroll children in school, open bank accounts etc.
- ⇒ Beneficiaries are given 30 square metre of land free of cost and for the remaining land they have to pay as per the State Govt determined price. (गरीब परिवार को 30 वर्ग मीटर जमीन मुफ्त में और उसे अतिरिक्त जमीन गरीब को चाहिए तो राज्य सरकार द्वारा निर्धारित रकम, गरीब परिवार ने अदा करनी होगी)

56.4.9 Award/Competition: Global Housing Technology Challenge

- Boss? Ministry of Housing and Urban Affairs
- asked experts / private sector companies to propose disaster-resilient, environment friendly, cost-effective and speedy construction technologies.
- They'll be implemented on a pilot basis in some cities to see the results.

56.4.10 → Model Tenancy Act (आदर्श किरायेदारी अधिनियम)

Shifted to Mains Handout. #Prelims-RAFTAAR

56.5 BUDGET-2023 - URBAN INFRA

56.5.1 Budget-2023: Sustainable Cities of Tomorrow (कल के लिए वहनीय शहर)

- ⇒ Transit-oriented development (परिवहन केंद्रित विकास)
- ⇒ increasing affordability of urban land (जमीन को खरीदना ज्यादा किफायती/सस्ता करेंगे।)
- ⇒ opportunities for all. (सबको अवसर मिले)

⇒ How? Details yet to come. (कैसे करेंगे? वो अभी बताया नहीं।)

56.5.2 🏠 Budget-2023: 💰 Urban Infrastructure Development Fund (UIDF)

⇒ Boss? National Housing Bank

⇒ Aim? create urban infrastructure in Tier 2 and Tier 3 cities. (दूसरी और तीसरी श्रेणी के शहरों में शहरी अवसंरचना बनाएंगे।)

⇒ Funding? Money from priority sector lending shortfall. (Ref: Pillar#1A2).

57 INFRA → RURAL (🌄)



57.1.1 🧑🏫 [Yearbook] Ministry of Rural Development ग्रामीण विकास मंत्रालय

Dept	– Dept. of Rural Development. – Dept. of Land Resources (भूमि संसाधन).
Autonomous Bodies	– National Institute of Rural Development and Panchayati Raj- HQ: Hyderabad. Also has office at Guwahati (Assam). (राष्ट्रीय ग्रामीण विकास और पंचायती राज संस्थान) – Council for Advancement of People's Action and Rural Technology (CAPART) chaired by the Union Minister for Rural Development to coordination with NGOs & Government
CPSE/ Statutory /Attached	Not MCQ worthy.
E-Governance	• Yuktdhara- portal for rural planning by this ministry + ISRO • Integrated Land Information Management System (ILIMS) • Unique Land Parcel identification Number (ULPIN) • National Generic Document Registration System (NGDRS) - for property deal ke legal documents. • Linkage of e-Court with Land Record/Registration Data base • Transliteration of Land Records in 22 Scheduled languages with help of CDAC-Pune.
Committees	DISHA: District Development Coordination and Monitoring Committees - consisting of local MP, MLA, DM (IAS)- to ensure that Government schemes are implemented effectively.

🧑🏫 There is also a **Ministry of Panchayati Raj** - but doesn't have much MCQ-worthy dept/orgs.

AB CD ? The ministry of Rural Development consists of which departments? (Geologist-2020)

- Department of Rural Development and Department of Land Resources
- Dept of Community Dev, Dept of Drinking Water and Sanitation and Dept of Social Assistance
- Dept of Rural Dev, Dept of Community Resources and Dept of Drinking Water and Sanitation
- Dept of Land Resources, Dept of Drinking Water and Sanitation and Dept of Social Assistance



57.1.2 MoRD (Rural Dev): major schemes

- 1. Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) for 100 days job to villagers. (Ref: Pillar#6)
- 2. National Rural Livelihoods Mission (NRLM) for self-employment and skill development; (Ref: Pillar#6)
- 3. Housing for All via Pradhan Mantri Awaas Yojana-Grameen (PMAY-G)
- 4. Pradhan Mantri Gram Sadak Yojana (PMGSY)
- 5. National Social Assistance Programme (NSoAP) for social pension; (Ref: Pillar#1D)
- 6. Shyama Prasad Mukherjee Rurban Mission;
- 7. Watershed Development Component of Pradhan Mantri Krishi Sinchayee Yojana

57.2 RURAL → SHYAMA PRASAD MUKHERJEE RURBAN MISSION (2016)

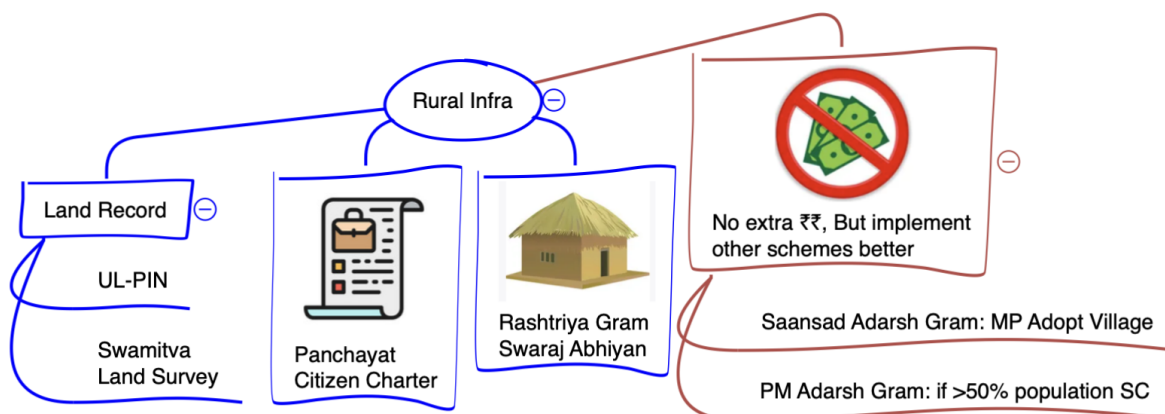
2004: President Dr. Kalam suggested PURA (Providing Urban Amenities in Rural Areas), but failed to takeoff because inter-ministerial miscoordination in UPA. → Modi repacked this scheme (2016)

-  **Boss?** Rural Development Ministry. Core Scheme = NOT 100% funded by Union.
- 15-20 villages clusters are selected. They're given ₹ ₹ to improve Electricity, water, roads; centres for Agri Processing, Tourism, Skill development etc.

 Benefit? economic opportunity & ease of living will improve in the rural areas itself → cities will face less migration and congestion (गांव में ही अगर शहरों जैसी सुविधा मिलेगी तो स्थानान्तरण / अतिप्रजन कम होगा).

 **Who among the following envisioned the framework of sustainable development called PURA (Providing Urban Amenities to Rural Areas)? (UPSC-Geologist-2020)**

a) Jawaharlal Nehru b) A.P.J. Abdul Kalam c) Atal Bihari Vajpayee d) K.R. Narayanan



57.3 RURAL → RASHTRIYA GRAM SWARAJ ABHIYAN (2018)

ई शासन, पंचायत भवन के निर्माण/ मरम्मत, पंचायत कर्मियों को तालीम के अनुसंधान योजना

- Under Manmohan-era, the Panchayati Raj Ministry had following schemes:
 - Backward Region Grant Fund (BRGF)** → Additional ₹ ₹ to backward areas to build schools, roads, streetlights etc.
 - Rajiv Gandhi Panchayat Shasaktikaran Abhiyan** → ₹ ₹ for Panchayat Building renovation.



- c. Rashtriya Gram Swaraj Yojana (RGSY) for training of PRI's elected representatives & civil servants.
- Since 14th Finance Commission provided huge grant in aid to the Panchayati Raj bodies, so Modi stops / suspends these schemes from 2015. (वित्त आयोग द्वारा अनुदान)
- **2018:** Modi launches (restructured) Rashtriya Gram Swaraj Abhiyan with basically above features i.e. Panchayati Raj Institutions (PRIs) given ₹ ₹ to improve e-governance, repair / renovate panchayat building. PRI officials given training & exposure visits → capacity building → they become capable to achieve SDG goals. (पंचायती संस्थाओं में ई प्रशासन, पंचायत भवनों का मरम्मत पुनर्नवीनीकरण, पंचायत कर्मचारियों की तालीम और क्षमता निर्माण के लिए पैसा देंगे)
- **Boss?** Panchayati Raj Ministry. Core Scheme = NOT 100% ₹ by Union. States also have to pay

57.3.1 Panchayati Raj Day & Portals & Awareness Campaigns

- 73rd Constitutional Amendment Act, 1992 came into force from 24 Apr'93. So, Govt started commemorating 24th April as National Panchayati Raj Day since 2010.
- **Panchayati Raj Ministry runs following Portals:**
- **e-GramSwaraj:** Gram Panchayat Development Plans:- to prepare and monitor them.
- **PRIASoft:** monitor Receipts & Expenditure of the Panchayati Raj bodies viz. Zilla, Block and Village Panchayat. (आमदनी खर्चा वित्तीय व्यवस्थापन के लिए)
- **Sabki Yojana Sabka Vikas :** awareness campaign to encourage villagers in Gram Panchayat Development Plan formulation. ग्राम पंचायत के विकास कार्यक्रमों में जन भागीदारी बढ़ाना
-  **SabhaSaar** AI-tool for recording & summarising Gram Sabha Meetings (2025)

57.3.2 Grameen Bharat Mahotsav, Delhi, 2025 (Asked MCQ in CAPF)

- **Organizers?** Department of Financial Services (DFS) and NABARD.
- **Target?** rural infrastructure, self-reliant economies, and innovation, economic stability and financial security among rural populations, etc. with a special focus on North-East India.
- **Theme:** Resilient Rural India for a Viksit Bharat 2047.

57.3.3 Land Assets registration- Swamitva scheme for land survey (2020)

- ⇒ Ministry of Panchayati Raj → launched on pilot basis in 6 states. (प्रायोगिक तौर पर चुनिंदा राज्यों में ही)
- ⇒ Rural inhabited lands will be survey with drones and technology. (जमीन का सर्वेक्षण)
- ⇒ It will help getting clarity over property rights → Land revenue collection, Bank loans application approval, Settlement of Title Disputes (जमीन मालिक की के कोर्ट विवादों का निपटान)
- ⇒ It'll also help in preparation of better-quality Gram Panchayat Development Plan (GPDP).
- ⇒ 2024-Dec: Govt distributed 57 lakh SVAMITVA property cards to beneficiaries.

57.3.4 NAKSHA land record for urban areas

- 'National geospatial Knowledge-based land Survey of urban HABitations' (NAKSHA)
- NAKSHA is a city survey initiative under the Digital India Land Records Modernization Programme (DILRMP).
- **Boss?** Ministry of Rural Development → Department of Land Resources (DoLR). (ya, The fact is correct, it is not typing mistake.)



57.3.5 Land Assets registration- ULPIN in Budget-2022

- ⇒  Budget-2022 announced Unique Land Parcel Identification Number (ULPIN).
- ⇒ linked to Aadhaar-number of the land plot owner. (ज़मीन के प्लॉट को एक यूनिक नंबर दिया जाएगा जो आधार कार्ड के साथ लिंक किया जाएगा)
- ⇒ Unique Land Parcel Identification Number (ULPIN) 14-digit Alpha-Numeric Unique ID for each land parcel.
- ⇒ by Department of Land Resources under rural development Ministry.
- ⇒ World's largest database on land ownership. This data helpful in :
 - 1) Faster judgement in land disputes. 2/3rd of all Civil cases in India are related to land or property disputes. Average pendency of a land dispute is 20 years. (ज़मीन के कानूनी विवाद जल्दी से निपटाने के लिए)
 - 2) Resolving dispute related to villages at interstate boundaries. (दो राज्यों के बीच की सीमा से सटे गांव में होते रहते विवादों को निपटाने के लिए)
 - 3) Farmer identification for subsidy / crop insurance. (कृषि सब्सिडी / योजनाओं के लिए किसान की योग्यता जांचने के लिए)
 - 4) Loan collateral verification by bank/NBFC. (कर्जा लेने के लिए गिरवी रखी जमीन का सत्यापन करने के लिए)
 - 5) Designing infrastructure plans. (बुनियादी अवसंरचना विकास की योजनाएं बनाने के लिए)
 - 6) Land acquisition for infra projects.(जमीन संपादन के लिए)
 - 7) Govt provides facility for transliterating the land records in any language - to break the linguistic barriers in land records & property deals. e.g. Property buyer from Maharashtra should conveniently get access to land records of Tamil Nadu in his Marathi language. (इसके अलावा ज़मीन के दस्तावेजों को विविध भाषाओं में अनुवादित करने की भी सुविधा की जाएगी।)

57.3.6 Land Assets registration- Case Studies from Bihar & Kerala

Bihar	⇒ BIHAR HAS become the first state in the country to introduce the concept of a dynamic map for villages ⇒ Map will get updated every time land ownership changes hands. This will reduce legal disputes. (बिहार में जितनी बार ज़मीन को बेचा जाएगा उतनी बार मालिकी के नक्शों को अपडेट किया जाएगा- ताकी ज़मीन विवादों में कमी हो)
Karnataka	⇒ Bhoomi project → digitize all land records. ⇒ Dishaank app to enable citizens to avail the information about the land and its ownership as recorded in the Bhoomi database. (कर्नाटक में सभी ज़मीन दस्तावेजों का भूमि प्रोजेक्ट के अंतर्गत डिजि-करण किया गया है। आम नागरिक भी ये सारी जानकारी अपने मोबाइल पे देख सके इसलिए दिशांक नाम की एप बनायी गई)

57.3.7 Land related announcements in Budget-2024-July:

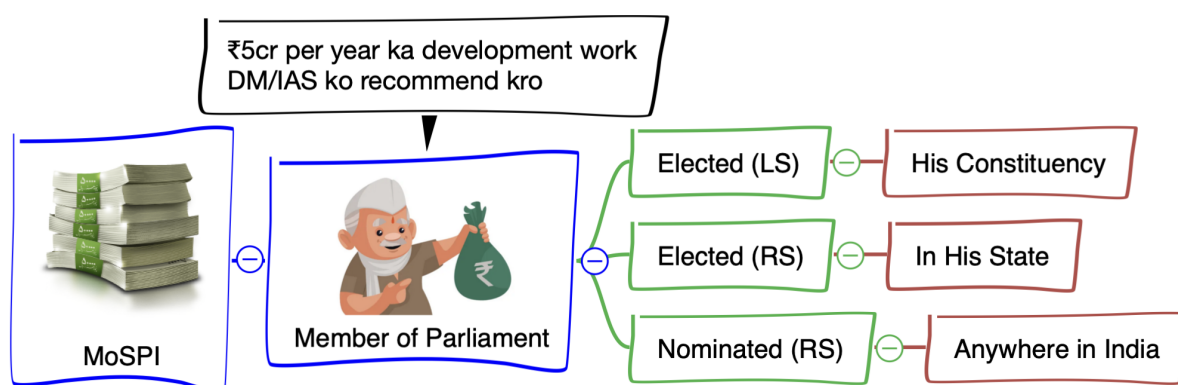
- 50-year interest-free loan to States with following conditions for rural land reforms: (1) assignment of Unique Land Parcel Identification Number (ULPIN) or Bhu-Aadhaar for all lands, (2) digitization of cadastral maps, (3) survey of map sub-divisions as per current ownership, (4) establishment of land registry, and (5) linking to the farmers registry.
- Land records in urban areas will be digitized with GIS mapping. An IT based system for property record administration, updating, and tax administration.

57.3.8 🌄👤👉👉👉 Model Panchayat Citizens Charter framework (2021)

- ⇒ [introduction] Copypaste definition of Citizen charter from Pillar2D: Tax Payers' Charter.
- ⇒ [Origin] In 2021, Model Panchayat Citizens Charter framework Created by Ministry of Panchayati Raj (MoPR) with National Institute of Rural Development and Panchayati Raj (Hyderabad). [पंचायतों के लिए नागरिक अधिकार पत्र बनाया गया है]
- ⇒ Individual panchayats will adopt/copy this model template to design their own individual Panchayat Citizen Charter- and post it in their office / website. Charter will outline the services provided by Panchayat, including its time limit, and the grievance redressal mechanism. for example [जिसमें यह जानकारी दी जाएगी की नागरिक को कौन सी सेवाएँ कितने समय में उपलब्ध की जाएंगी और शिकायत निवारण के लिए कहाँ पर संपर्क करना है]
- ⇒ 3 Days deadline for issuing: birth/ marriage / death certificate, repairing the streetlights
- ⇒ 7 Days deadline for repairing public toilets [सात दिनों के भीतर सार्वजनिक शौचालय की साफ सफाई मरम्मत]
- ⇒ 15 days deadline for issuing MGNREGA job card, enrolling a beneficiary in govt skill development programmes (More in 📄 Pillar#6: Poverty & Skill Development)
- ⇒ 30 days deadline for repairing Village Road, fixing panchayat Wi-Fi connectivity issue etc.
- ⇒ if the required work is not completed within the time limit the citizen can complain to panchayat secretary/Patwaari → Pradhan/Sarpanch → Block development officer on XYZ Address /phone number /email ID. [वक्त पर पंचायत कर्मियों ने काम नहीं किया तो इधर शिकायत करें]

👤 **Conclusion?** Appreciable step by the government for improving transparency, accountability, good governance at grassroot. SDG Goal#16: will help building effective, accountable and inclusive institutions at all levels. [प्रशंसनीय कदम- ज़मीनी स्तर पर पारदर्शिता, जवाबदेही, और सुशासन को बेहतर करेगा]

57.4 🌄👤💰 RURAL → MPLADS (1993)



Members of Parliament Local Area Development Scheme (सांसद स्थानीय क्षेत्र विकास योजना).

Central Sector Scheme = 100% funded by Union.

- **Boss?** Ministry of Statistics and Programme Implementation (MoSPI).
- Each MP can suggest development works worth ₹ 5 crore per year in his constituency. Rajya Sabha MP: any district in his State. Nominated MP can select any district in anywhere in India.
- Role of the Members of Parliament is limited to recommend works. Thereafter, it is the responsibility of the district authority (DM/Collector, IAS) to sanction, execute and complete the works recommended within the stipulated time period. (अपने संसदीय क्षेत्र में विकास के कार्यों के लिए हर सांसद जिला कलेक्टर को सुझाव देगा उस हिसाब से बस स्टेशन स्कूल क्रीडांगण पेयजल गटर पानी इत्यादि की सुविधा)



- If area inhabited by SC → 15% fund quota for their development works, if ST → 7.5%.
- Max. 20 lakhs / year (out of his 5 cr quota) for PH welfare e.g. giving tricycles, artificial limbs, hearing aids etc. (विकलांगों की भी मदद कर सकते हैं किन्तु हर साल 20 लाख से ज्यादा नहीं)
- Further, if any MP wishes, he may also recommend works anywhere in India upto **Max. 25 lakhs / year** (out of his 5 cr quota) e.g. during natural disaster or to promote national unity.
- Funds are **non-lapsable** i.e. if not used this year, it is carried forward to the next yr. (अव्ययगत)

57.4.1 🌄🤔 MPLADS Suspended (योजना को स्थगित करना)

2020-April: To save the money for fighting Corona, Government announced two measure

- ⇒ MP salaries will be cut by 30% वेतन में कटौती
- ⇒ MPLADS scheme will suspended for two financial years i.e. 2020-21 and 2021-22[#]. Govt justified it, "every rupee was needed to bolster the resources available to our nation as we address the impact of Covid-19"
- ⇒ [#]2021-Dec: Govt has restored MPLADS. Each MP to get ₹ 2cr for 2021-22. Then from 2022 onwards: Each MP to get ₹5 cr per year. जो कोरोना में स्थगित की गई थी, लेकिन फिर वापस शुरू की जाएगी)

AB CD ? Find wrong statements about MPLADS? (UPSC-CDS-i-2020)

- Members of the Parliament (MPs) sanction, execute and complete works under the scheme.
- Nominated Parliament can recommend works for implementation anywhere in the country.
- The scheme is fully funded by the Government of India.
- The annual entitlement per MP is Rs.5 crore.

AB CD ? Which of the following statements are correct about MPLADS? (UPSC-Prelims-2020)

- MPLADS funds must be used to create durable assets like physical infra for health, education
- A specified portion of each MP's fund must benefit SC/ST populations
- MPLADS funds are sanctioned on yearly basis and unused funds cannot be carried forward to next year.
- The district authority must inspect at least 10% of all works under implementation every year

Codes: [a] 1 and 2 only [b] 3 and 4 only [c] 1, 2 and 3 only [d] 1, 2 and 4 only

57.5 🌄 RURAL → ADARSH GRAM YOJANAS

Saansad Adarsh Gram Yojana (SAANJHI)	Pradhan Mantri Adarsh Gram Yojana
Rural Development Ministry (2014-2024)	Social Justice Ministry (2009: Manmohan launched → Modi continued)
सांसदों ने गांव को गोद में लेना है, और वहां विभिन्न सरकारी योजनाओं को को अच्छे से लागू करवाना है।	अनुसूचित जाति की आबादी ज्यादा हो, उन गांव पर ध्यान देना, और वहां विभिन्न सरकारी योजनाओं को को अच्छे से लागू करवाना
Members of Parliament adopt village in their constituency (if nominated member then adopt anywhere)	Govt to focus on villages with than 50% Scheduled Caste (SC) population
- MP to give personal attention to develop these villages through better implementation of existing schemes. - MP to encourage the villagers to build library via donation, prepare village song,	- Develop these villages through better implementation of existing schemes. - A village is declared 'Adarsh Gram' once it achieves minimum 3 targets from a long list of targets related to school enrollment, 100% adult literacy, 100% vaccination,



Saansad Adarsh Gram Yojana (SAANJHI)	Pradhan Mantri Adarsh Gram Yojana
remember martyrs, celebrate girl child birth, plant trees etc.	100% ODF-free, 0% child marriage, 0% drinking of desi-liquor in public places etc.

57.5.1 🌳 RURAL → ST villages: Pradhan Mantri Adi Adarsh Gram Yojana

It is the new name of the old scheme Special Central Assistance to Tribal Sub-Scheme (SCA to TSS)

Boss?	Ministry of Tribal Affairs
Coverage?	Villages having at least 50% ST population. Total 36,000+ such villages.
Validity?	2021–22 to 2025–26
Funding?	approx. ₹20 lakh per village + extra funds through other schemes.

It'll focus to develop village in 8 sectors, namely:

- ⇒ Road connectivity (Internal and Intervillage /block), 2) Telecom connectivity (Mobile /internet),
- ⇒ School, 4) Anganwadi Centres, 5) Health Sub-Centre,
- ⇒ Drinking water facility, 7) Drainage 8) solid waste management.

57.5.2 🌳 RURAL → 📱 SAMARTH campaign for e-payments @villages (2023)

- Boss? Ministry of Rural Development
- SAMARTH campaign to promote digital transactions in villages, esp. among women.
- with help of Women Bank Business Correspondent agents (BC Sakhis).

57.6 🌳 RURAL → BORDER AREA DEVELOPMENT PROGRAMME (BADP).

- **Boss?** Ministry of Home Affairs → Dept of Border Management. 100% funded by Union.
- BADP covers 17 states/UT which people living within 50 kilometres of the International Border. Funding for roads, bridges, school, hospital etc. (सीमा क्षेत्र विकास कार्यक्रम)
- Eligible states are: Arunachal Pradesh, Assam, Bihar, Gujarat, Himachal Pradesh, Jammu Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Punjab, Rajasthan, Sikkim, Tripura, Uttar Pradesh, Uttarakhand, West Bengal.
- **RELATED event:** Seemant Vikasotsav @Dhordo, Kutch to sensitize the border population about their role in national security and development.

57.6.1 🌳 Border infra & Backward Regions Infra → 🛒 Budget-2022

PMDevINE (उत्तर पूर्व के राज्यों के विकास लिए मुहिम)	⇒ Prime Minister's Development Initiative for North East Region (PMDevINE): for infrastructure development in Northeast. ⇒ implemented through the North-Eastern Council (it is a statutory body made in 1971 under Ministry of Development of North Eastern Region)
Aspirational Blocks Programme:	to focus on 112 Aspirational Districts' (Ref:4B-NITI) → most backward blocks → on key sectors such as health, nutrition, financial inclusion and basic infrastructure. (सबसे पिछड़े-यानी कि आतंकी ज़िलों के सबसे पिछड़े ब्लॉक/तहसील के विकास के लिए)

57.6.2 🌳 Border infra Vibrant Villages Programme (उत्तर भारत के सीमावर्ती गांव के लिए)

- for Border villages on the northern border: infrastructure, housing, tourist centres, road connectivity, renewable energy; fairs, festivals to boost tourism
- access for Doordarshan and educational channels, and support for livelihood generation. (टीवी पे शिक्षा कार्यक्रम रोज़गार सृजन)



- 2023: program launched for border-villages in Arunachal Pradesh, Sikkim, Uttarakhand & Himachal Pradesh and UT of Ladakh.



MCQ. Find Correct about Vibrant Village Programme (CDS-2-2024)

- (a) It is a Centrally sponsored scheme. (b) This programme was launched in 2021.
(c) Arunachal Pradesh, Sikkim and Manipur are the states selected under this scheme.
(d) Villages of Uttar Pradesh on Nepal border are selected in this scheme.

57.6.3 Infra: Bihar, Andhra in 🇮🇳 Budget-2024-July:

Matter	provision
5-infra-Andhra	- ₹15,000 crore for new Capital-city (2) - Polavaram Irrigation Project - lifeline for Andhra Pradesh (3) - Koppaerthy node on the Vishakhapatnam-Chennai Industrial Corridor and Orvakal node on Hyderabad-Bengaluru Industrial Corridor. (4) Grants for on - regions of Rayalaseema, Prakasam and North Coastal Andhra,
5-infra-Bihar	- Amritsar Kolkata Industrial Corridor pe - industrial node at Gaya. - Kosi-Mechi intra-state river linking
5-infra-East	- Purvodaya, for the all-round development of the eastern region of the country covering Bihar, Jharkhand, West Bengal, Odisha and Andhra Pradesh.

57.6.4 Infra → Bihar → Temple Tourism in 🇮🇳 Budget-2024-July:

- (1) Vishnupad Temple at Gaya and Mahabodhi Temple at Bodh Gaya in Bihar
(2) Comprehensive development of Vishnupad Temple Corridor and Mahabodhi Temple Corridor will be supported
(3) - Rajgir holds immense religious significance for Hindus, Buddhists and Jains. The 20th Tirthankara Munisuvrata temple in the Jain Temple complex is ancient. The Saptharishi or the 7 hot springs form a warm water Brahmakund that is sacred. More in Pratik sir's video

<https://youtu.be/sIjcl0QaJSs?si=JKkZDl08ioFAmxLL>

57.7 🇮🇳 INFRASTRUCTURE: DISASTER, SECURITY & STRATEGIC AFFAIRS

57.7.1 🇮🇳 [Yearbook] Ministry of Home (गृह मंत्रालय)



Dept	1) Department of Border Management (सीमा प्रबंधन) 2) Department of Internal Security (आंतरिक सुरक्षा) 3) Department of Jammu, Kashmir & Ladakh Affairs 4) Dept of Home: Notifies the appointment of PM & other Ministers etc. 5) Department of Official Language 6) Department of States
Attached / Subordinate Offices	1) Registrar General & Census Commissioner: National Register of Indian Citizens, Census; helps rural and urban ministries for conducting Socio-Economic and Caste Census (SECC) in respective areas.

	2) Assam Rifles, Border Security Force (BSF), Central Reserve Police Force (CRPF), Sashastra Seema Bal (SSB) 3) Central Industrial Security Force (CISF) 4) Indo Tibetan Border Police (ITBP) 5) National Security Guard (NSG)
Statutory वैज्ञानिक संस्थान	1) National Investigation Agency (NIA) 2) National Disaster Management Authority (NDMA) → Subhash Chandra Bose <i>Aapda Prabandhan Puraskar</i> (Awards for disaster management) 3) National Human Rights Commission (NHRC) 4) Land Ports Authority of India for managing border infrastructure in India. Also helped in Kartarpur-sahib corridor.
CPSE	⇒ Repatriates Co-op. Finance & Development Bank
Autonomous स्वायत संस्थान	1) Sardar Vallabhbhai Patel National Police Academy, SVNPA, Hyderabad for training of IPS officers 2) National Crime Records Bureau (NCRB) 3) National Foundation for Communal Harmony (NFCH) 4) International Coalition for Disaster Resilient Infrastructure (CDRI)
E-Governance	- 2009-Crime and criminal tracking network and systems (CCTNS) to keep database of criminals - 2011- National Intelligence Grid (NATGRID) for intelligence sharing- mainly for counter terrorism.

⚖️ Home ministry also looks after the administrative matters related to **Padma Awards**, and legislative matters related to **Passport Act & Citizenship**. (नागरिकता)

57.7.2 🧑🏫♂️ Disaster Infrastructure → Home Ministry → CDRI 2019

- ⇒ International Coalition for Disaster Resilient Infrastructure (CDRI)
- ⇒ Announced in 2019's UN Climate Action Summit in New York, USA
- ⇒ HQ: Delhi. Registered under Societies Registration Act, 1860
- ⇒ Function: international knowledge exchange for disaster and climate resilience of infrastructure
→ help achieving the Sendai Framework targets for disaster risk reduction

57.7.3 🧑🏫♂️🛡️ Ministry of Defence (रक्षा मंत्रालय)



Dept	⇒ Department of Defence → Armed Forces (army, navy, airforce), Coast Guard, Border Road Organization, National Cadet Corps (NCC-1948, Motto: एकता और अनुशासन, Unity and discipline) ⇒ Department of Defence Production → Subordinate organization: Ordnance Factory Board (OFB, HQ: Kolkata) → 41 Ordnance factories (OFs) [New update in next section] ⇒ Department of Defence Research and Development
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	⇒ Department of Ex-Servicemen Welfare ⇒ Department of Military Affairs → Chief of Defence Staff (Late General Bipin Rawat was the first person to be in this post. He had the rank of four star general and also 'Secretary' to Govt)
Attached	⇒ DG Defence Estate, DG Defence Accounts and others ⇒ Indian Ordnance Factories → later became Companies (CPSE)
Autonomous	⇒ Indian Military Academy (IMA), Dehradun; Sainik School Ghorakhal, Nainital, Uttarakhand and other similar organizations. ⇒ Institute for Defence Studies and Analyses (IDSA)
Committee	⇒ 2001: Defence Acquisition Council (DAC) was set up under Defence Minister to fasttrack the procurement of armaments for army, navy, airforce, coastguards. (रक्षा साधनों की खरीद के लिए परिषद)
Portals	Srijan portal (2020-Aug) ⇒ displays defence items that are being imported currently. So that the Indian industry can design, develop and manufacture them domestically. ⇒ Help interaction between defence public sector undertakings (DPSUs), Ordnance Factory to interact with the Indian industry. ⇒ 🏆 Benefit: Promotes indigenization of defence production. iDEX (2018) - For Innovations for Defence Excellence (iDEX)
CPSE सरकारी कंपनियां	⇒ Hindustan Aeronautics Limited, HAL. ⇒ Bharat Electronics, Bharat Dynamics ⇒ Garden Reach Shipbuilders, Goa Shipyard, Hindustan Shipyard, Mazagon Dock Shipbuilders Mishra Dhatu Nigam Limited, MIDHANI. ⇒ (*) Bharat Earth Movers
Local Governance	⇒ Cantonment Boards: Civic administration bodies (Ref Laxmikanth for more) ⇒ e-Chhawani Portal = e-governance portal for cantonment boards.
Operations Exercises	⇒ 🧑‍🚀 OPERATION SAMUDRA SETU: Indian Navy as a part of national effort to repatriate Indian citizens from overseas. (भारतीयों की वतन वापसी कोरोना में) ⇒ + many other defense exercises etc. self-Study from CA-PDF

(*) means approved for strategic disinvestment (=privatization) in 2019

57.7.4 🧑‍🚀👉👉 Ordnance Factory Board abolished & Essential Defence Services Bill

🧑‍🚀 BEFORE	🏆 AFTER 2021-Oct
⇒ Dept of Defence Production → Subordinate organization: Ordnance Factory Board (OFB, HQ: Kolkata) → 41 Ordnance factories (OFs) ⇒ This can also be termed as “Departmental Undertaking” similar	⇒ This OFB&OF corporatized / converted from “departmental undertaking” (विभागीय उपक्रम) to Defence Public Sector Undertakings (DPSUs) रक्षा क्षेत्र के सार्वजनिक क्षेत्र के उपक्रम) ⇒ Meaning it is re-registered into (total seven) Government companies under Companies Act [आयुध निर्माणी बोर्ड और उसके नीचे की हथियार फैक्ट्रियां जो



🤖 BEFORE	🏆 AFTER 2021-Oct
to Dept of Post & Ministry of Railways (More in 📄 Pillar#2D: Types of Org)	पहले एक विभागीय उपक्रम के रूप में कार्य करती थीं उन्हें अब सरकारी कंपनियों के रूप में पंजीकृत किया गया है]
76,000 workers in 41 Ordnance factories produce less than ₹12,000 cr worth of defence equipment annually = problem of overstaffing & low output. [इतने सारे मजदूर काम करते थे लेकिन उत्पादन काफी कम था. यानी की अनावश्यक रूप से अत्यधिक मानव बल को नौकरी पर रखा गया. भविष्य में इन सब सरकारी हथियार फैक्ट्रियों का एकीकरण, निजीकरण तथा कर्मचारियों को स्वेच्छिक निवृत्ति योजना द्वारा नौकरी से हटाया जाएगा. हालांकि “हमारी नौकरी चली जाएगी” इस डर से कर्मचारी हड़ताल पे उतरे- तो उन्हें रोकने के लिए सरकार ने “आवश्यक रक्षा सेवा विधेयक” पास करवाया है, ताकि हड़ताली कर्मचारी को जेल तथा जुर्माना हो सके]	- Eventually, through merger/privatization of companies and voluntary retirement scheme (VRS) of employees, this problem will be solved. (More in 📄 Pillar#1B1: PSBs) - Ordnance Factory workers are afraid of job loss and so they were planning to go on strike/hartal so government has passed Essential Defence Services Bill/Act to stop them from going on Hartal/Strike. - If employee/worker in these defense factory goes on strike, he will be punished with up to 1 year jail or Rs 10,000 fine, or both.

57.7.5 🤖🚀🌐 Defence Production and Export Promotion Policy 2020

- ⇒ By Defence ministry to ↓ dependence on imports, Achieve US\$ 5Bn exports by 2025.
- ⇒ Encourage "Make in India" via domestic research, IPR protection, FDI & Ease of Doing Business, Training subsidies, support to MSMEs/Startups etc (रक्षा उत्पादन तथा निर्यात प्रोत्साहन नीति= रक्षा उपकरणों का भारत में ही उत्पादन, संशोधन, बौद्धिक संपदा रक्षण, विदेशी प्रत्यक्ष निवेश में बढ़ोतरी, व्यापार में सुगमता इत्यादि कदम उठाए जाएंगे)

57.7.6 🤖🌐 Ministry of External Affairs (विदेश मामलों का मंत्रालय)



Responsible for organizing the Pravasi Bharatiya Diwas: (More in 📄 Pillar#3A).

Dept	⇒ N/A
Attached	⇒ Foreign Service Institute, Delhi
Autonomous स्वायत संस्थान	⇒ India Centre for Migration (ICM) ⇒ India Development Foundation of Overseas Indians ⇒ Indian Council for Cultural Relations (Delhi)
Portals	⇒ Madad Portal for consular grievances. ⇒ Passport India Portal Kailash Mansarovar Yatra Portal ⇒ e-Sanad for online verification of documents of Indian citizens abroad.

58 📡 INFRASTRUCTURE → COMMUNICATION (संचार)

- 📄 ES25: India stands as the second- largest telecommunications market, with over 1.18 billion telephone subscribers, an overall teledensity of 84 per cent, and 941 million broadband users.



58.1.1 🧑🏫 [Yearbook] Ministry of Communication (संचार मंत्रालय)

Dept	- Dept. of Telecommunications (दूरसंचार विभाग) - Dept. of Posts (डाक विभाग): ref Pillar#1D for more
Statutory Bodies	- Telecom Regulatory Authority of India (TRAI: भारतीय दूरसंचार विनियामक प्राधिकरण) under law of 1997. - Telecom Disputes Settlement and Appellate Tribunal (TDSAT: दूरसंचार विवाद समाधान एवं अपील अधिकरण)
CPSE/PSB सरकारी कंपनियों सार्वजनिक क्षेत्र के बैंक	- BSNL (2000): Bharat Sanchar Nigam Limited & MTNL (1986): Mahanagar Telephone Nigam Ltd for Delhi & Mumbai. 📄 Ref Pillar#2: for their merger. - BBNL: Bharat Broadband Network Ltd. (2012) to implement BHARATNET project to lay internet lines to Gram Sabha → although, govt planning to merge this company with BSNL. - Telecommunications Consultants India (TCIL, 1978) - Indian Telephone Industries (ITI, 1948, Bengaluru) - India Post Payments Bank (IPPB) Ltd (More in 📄 Pillar#1B1) - Hemisphere Properties India (This company owns the left-over land of VSNL. VSNL company was sold to Tata /privatized in 2002.)
Attached / subordinate	- Universal Service Obligation Fund (USOF) later renamed as “Digital Bharat Nidhi Fund” - Telecommunication Engineering Center
Autonomous	- Centre for Development of Telematics (C-DOT): - for reducing dependency on foreign technologies.

58.1.2 📡💰 Digital Bharat Nidhi Fund replaces USOF:

- 2003: Universal Service Obligation Fund (USOF) setup. But only 72% of its funds utilized.
- 2024: Digital Bharat Nidhi Fund replaces USOF.
- Funding? Telcom companies Adjusted Gross Revenue (AGR) → 5% Universal Service Levy → Consolidated fund of India.
- Legal basis? Telecom Act. Boss? Department of Telecommunications (DoT)
- Objectives? (1) ⬆ telecommunication services to rural / remote / naxal areas. (2) ⬆ affordability of telecom services to women, PH, weaker sections. (3) help start-up, telecom manufacturing, R&D.

58.1.3 🧑🏫 Ministry of Communication → Fraud Prevention Bodies

2021: Communication minister to set up two bodies

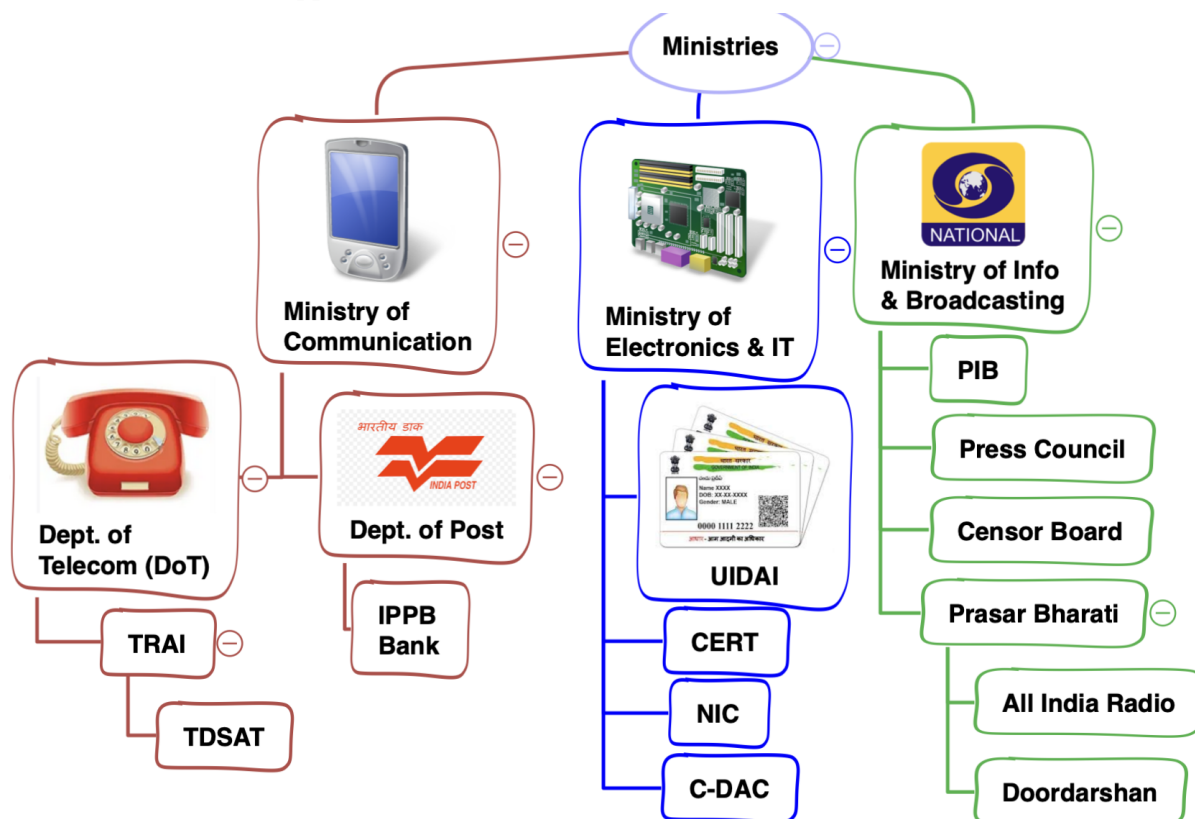
- 1) Digital intelligence unit (DIU) against Unsolicited commercial communication - Telemarketing, SMS spam.
- 2) Telecom analytics for fraud management and consumer protection (TAF COP).

🧠 Objective? Combat: digital frauds involving Mobile calls and SMS.

58.1.4 🧑🏫 Dept of Telecommunications → Digital Communications Commission

⇒ 1989- Telecom Commission was setup. (दूरसंचार/ दूरभाष आयोग)

- ⇒ 2018: Renamed in Digital Communications Commission (डिजिटल संचार आयोग)
- ⇒ DoT's Secretary (IAS) is the chairman of this body. NITI CEO (IAS) is a part time member.
- ⇒ **Functions?** finalizing policy, dept's budget, spectrum auction etc → sending for Minister/Cabinet's approval



58.1.5 🧑 Ministry of Electronics & IT इलेक्ट्रॉनिक्स एवं सूचना प्रौद्योगिकी मंत्रालय

Dept	N/A
Attached offices	- 1976: National Informatics Centre (NIC, राष्ट्रीय सूचना विज्ञान केंद्र) → 2020 they setup Centre of Excellence (CoE) in Blockchain Technology in Bengaluru, Karnataka,
Statutory Bodies	<u>Under the Information Technology Act, 2000 →</u> ⇒ Controller of Certifying Authorities (CCA) प्रमाणन प्राधिकरण नियंत्रक → Cyber Appellate Tribunal. ⇒ Computer Emergency Response Team-India (CERT-In) भारतीय कंप्यूटर आपात प्रतिक्रिया दल → (1) they give CVA number to new vulnerability/cyber attacks. (similar to how bank branches are identified by IFSC Codes). <u>Under the Aadhaar Act 2016 →</u> Unique Identification Authority of India (UIDAI, founded in 2009) भारतीय विशिष्ट पहचान प्राधिकरण [although India yearbook says its Attached office. so tick depending on context of MCQ/given options.]
वैधानिक संस्थाएँ	



CPSE सरकारी कंपनियां these are Section-8 = not for profit companies.	- National Informatics Centre Services Inc.(NICSI) (CPSE under control of NIC) भारतीय सूचना विज्ञान केंद्र सेवा संस्थान - Digital India Corporation- for bringing ICT innovations to grassroot level. - MyGov.in (yes it is also a company) - National Internet Exchange of India(NIXI) - a meeting point for Internet Service Providers (ISP) - National e-Governance Division (NEGD)
Autonomous Bodies (स्वायत्त निकाय)	- Centre for Development of Advanced Computing (C-DAC) प्रगत संगणक विकास केंद्र → “E-Sangam” for delivery of Data among geographically dispersed departments - Centre for Materials for Electronics Technology (C-MET) - Education & Research in Computer Networking (ERNET) - National Institute of Electronics and Information Technology (NIELIT - Formerly DOEACC Society) - Society for Applied Microwave Electronics Engineering and Research (SAMEER, 1984); - Software Technology Parks of India (STPI)- to promote IT exports. - Bhaskaracharya National Institute for Space Applications and Geo-informatics (BISAG) - Semi-Conductor Laboratory (SCL)
App	- 2017: UMANG- Unified Mobile Application for New-Age Governance (UMANG). It delivers government services by by Central and State Government departments and Local bodies such as locating exam centre, booking govt doctor appointment, applying for soil health card & filing EPFO complaints.

- **Data Security Council** : is a (private sector) not-for-profit body on data protection by NASSCOM. NASSCOM is a not-for-profit association of Software companies.

58.2 COMMUNICATION (📶/📞) RELATED REGULATORS / APPS / PORTALS



58.2.1 🧑 Comm → Regulators → TRAI

- 1997: Telecom Regulatory Authority of India (TRAI: भारतीय दूरसंचार नियामक प्राधिकरण), a statutory body under the Communications Ministry → higher appeal to Telecom Dispute Settlement And Appellate Tribunal (TDSAT: दूरसंचार विवाद निपटान और अपील न्यायाधिकरण).
- TRAI regulates the operators of telecom, internet, DTH/cableTV sector.

TRAI's notable initiatives for consumer interest are →

- **DND (Do Not Disturb)** registry: To prevent Telemarketing Calls/SMS.
- **SMS scrubbing guidelines:** Telecom service providers will have to verify Every SMS for its content before delivery.- mainly to prevent marketing spam SMS.



- Strong directives to reduce **Call-drops** in mobile plans.
- **MySpeed** App to help customers to measure 3G/4G speed & share with TRAI.
- Directives for **Net Neutrality** (नेट तटस्थता) i.e. Internet Service Providers (ISPs) must treat all internet traffic equally without increasing/slowing down speed towards any website.
- DTH / Cable operators required to give customer the **freedom of choosing channels**, and fixed prices for services.
- 2007: Telecommunication Consumers Education and Protection Fund (TCEPF). Requires Telecom service providers to deposit all unclaimed money of consumers, including excess charges and security deposit.

58.2.2 🧑📞 Comm → Stolen phone? → Central Equipment Identity Register portal

- By Dept of Telecom
- If your mobile gets stolen or lost → file First Information Report (FIR) in Police → upload FIR details and International Mobile Equipment Identity (IMEI) on this portal
- Govt will block the IMEI number of the phone → Phone will become unusable for the thief.

58.2.3 🧑📞 Telecom → Emergency Response Support System (ERSS)

- **Boss?** Home Ministry. Launched pan-India in 2019-Feb. Although some states yet to roll it out.
- Victim dials 112 → Emergency Response Centre (आपातकालीन प्रतिक्रिया केंद्र) → redirect to police (100), fire (101), health (108), women's safety (1090) & other helplines.
- Alternatively, victim can use Panic Button on the phone by longpressing '5' or '9', or, '112 India' mobile app which also has a 'shout' button so registered volunteers close to the victim can come for immediate assistance before police/firemen arrive.

58.2.4 Tele-fraud → CNAP Service (Caller-id) to prevent fraud/spam calls

- Telecom Regulatory Authority of India (TRAI) recommended 'Introduction of Calling Name Presentation (CNAP) Service in Indian Telecommunication Network.
- Basically means telecom company need to show the caller ID of the person.
- Will help curbing spam and scam calls.

58.2.5 📞🐱 Tele-fraud: sancharsaathi & Chakshu & DIP

- 🧑📞 Boss? Ministry of Communications
- Sanchar Saathi portal → To report the stolen / lost mobile handset for blocking and tracing.
- 'Chakshu' → facility on Sanchar Saathi portal. Citizens can report fraud call/SMS/WhatsApp e.g. scammer impersonating as bank officer/ government officer, sextortion, etc.
- Digital Intelligence Platform (DIP): when citizen reports stolen mobile/fraud call → this DIP system will notify bank/police/telecom companies etc. for further action.

58.3 📞 COMMUNICATION → TELECOM

Tele density = number of phone connections per 100 people in an area.

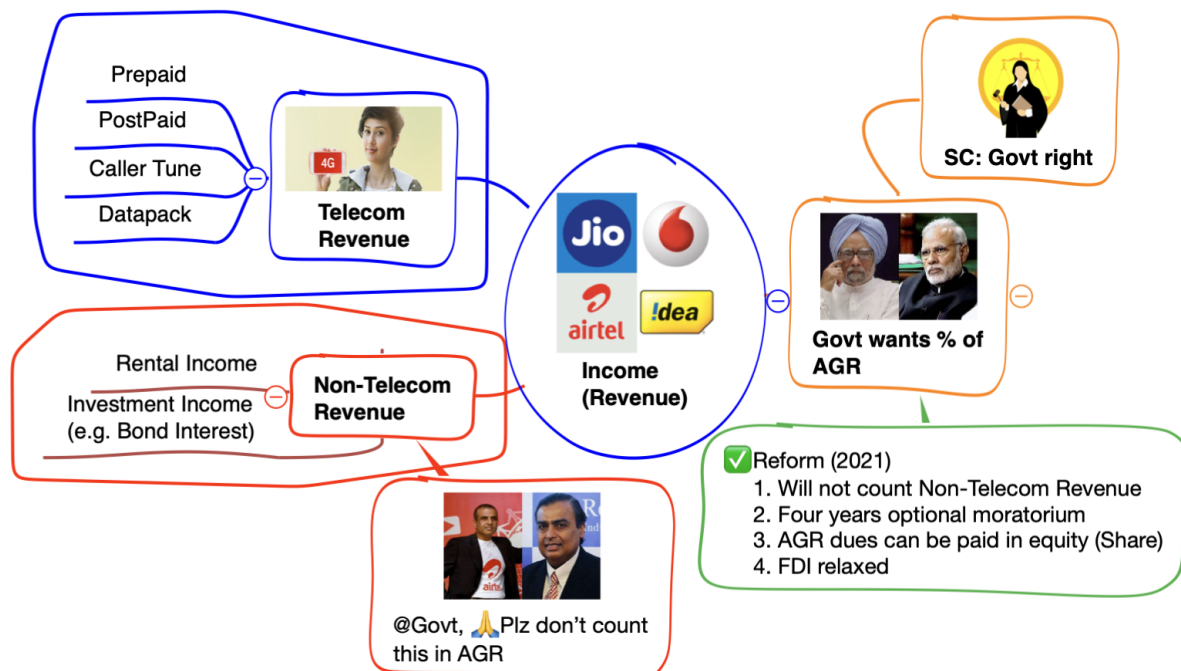
⇒ telephone subscribers in India = more than 98% mobile. Less than 2% landline

⇒ 1995: Consumer internet connections started in India. 2020: >75cr connections. 50% of these new connections came within the last 4 years. Shows the exponential growth of digital India.

⇒ 🤖 Challenge? 30 cr out of above >75cr connection still having 2G speed.

58.4 📞✂️👤 ADJUSTED GROSS REVENUE (AGR)

- ⇒ Early 90s: LPG reforms, private sector telecom companies allowed to start operating in India.
- ⇒ They had to obtain telecom licenses & pay certain fees to the Govt every year.
- ⇒ This fees is calculated as a % of their Adjusted Gross Revenue (AGR: समायोजित सकल राजस्व / आमद).
- ⇒ Later, Department of Telecommunications (DoT) and Private Telecom Companies differed over the definition / formula of AGR. → Matter went to Supreme Court.
- ⇒ DoT said [Telecom revenue + non-telecom revenue] → Adjusted Gross Revenue (AGR). Uska pay X% to government as “licence and spectrum fee.”. (Started from 1999)



- ⇒ Telecom companies (Telecos) demanded that non-telecom biz revenue (e.g. rent on property, interest from bond investments, dividend from subsidiary companies etc) should not be counted in this AGR formula. AGR की गिनती में गैर टेलीकॉम आमदनी को भी गिना जाता था, टेलीकॉम कंपनियों को इससे एतराज़ था लेकिन वो सुप्रीम कोर्ट में केस हार गए.
- ⇒ 2019: Supreme Court judgement: Department of telecom (DoT)’s definition of AGR is right. Telcos must pay the AGR, interest and penalty on late payment.

Company	Jio	Vodafone-IDEA (Vi)	Airtel
AGR dues in Crore (figures not IMP)	>62 kcr	>58 kcr	>43 kcr

- ⇒ Telecos unable to pay this much money. If govt did not help → weaker companies like Vodafone-Idea could shut down → Bad loan/NPA for banks, job loss, foreign investors confidence loss. [कंपनियों ने AGR का बकाया पैसा, तथा उस पर ब्याज और दंड की रकम सरकार को चुकानी है लेकिन उनका धंधा नुक़सान में है. यदि सरकार कोई राहत नहीं देगी तो वोडाफ़ोन के दिवालियेपन जोखिम]
- ⇒ IF Vodafone shuts down – only 2 Telecos left [Jio+Airtel] = Duopoly = not good for customer.

58.4.1 📞✂️👤 AGR Dues → Relief Package 2021-SEPT

बकाया रक़म चुकाने में अगले चार साल तक अस्थाई रूप से स्थगन/राहत। और विदेशी प्रत्यक्ष निवेश में सुधार।



🏠 BEFORE	🏠 AFTER REFORM
Telecos had to pay AGR. कंपनियों ने AGR का बकाया पैसा चुकाना है, किन्तु 2021 में सरकार ने उन्हें अगले चार सालों के लिए वैकल्पिक स्थगन/ अस्थायी राहत दी है। हालाँकि अगर अगले चार साल कंपनी ने वो पैसा नहीं चुकाया तो चार साल का ब्याज का पैसा कंपनी ने सरकार को चुकाना होगा.	✓ Four years (optional) moratorium/suspension from 1/10/2021 ✓ Meaning Telecos need not start paying it immediately. Telecos can start paying in instalments after 4 years, if they wish. ✓ However, IF telecos opt for the suspension, they will have to pay interest rate for these four years to Govt. (e.g. Vodafone-Idea VI) opted for this scheme. This interest amount may be paid in form of A) rupee currency or B) equity (shares of the company).
AGR Calculation included both telecom and non-telecom revenue.	Non-telecom revenue excluded from formula [कंपनी की गैर टेलीकॉम आमदनी को AGR की गिनती में से हटाया गया]
Govt demanded spectrum usage charge (SUC)/fees	SUC removed, with some technical conditions.
Spectrum rights were given for 20 years to company.	30 years [स्पेक्ट्रम इस्तेमाल करने के कम्पनी के अधिकार की अवधि को बढ़ाया गया]
FDI: Upto 49% (Automatic route). Beyond that, Government approval required i.e. 50 to 100% FDI also allowed But ONLY AFTER permission of government.	Upto 100% FDI allowed through automatic route. Meaning Govt approval not required (Except FDI coming from India's land neighbours e.g. China, Pak, Bangladesh) [स्वचालित मार्ग से, यानी कि, बिना सरकार की अनुमति लिए १०० प्रतिशत तक प्रत्यक्ष विदेशी निवेश को छूट दी गई है]
--	Certain technical reforms in penalty interest-rate calculation, bank guarantees etc. but NOTIMP.

58.4.2 📞 × 🧑 AGR: Interest Payment in form of equities/shares- Vodafone-Idea (Vi)

[कंपनी बकाया AGR के ऊपर चढ़ने वाले ब्याज की रकम सरकार को रुपए मुद्रा की जगह अपने शेयर के रूप में अदा करे]

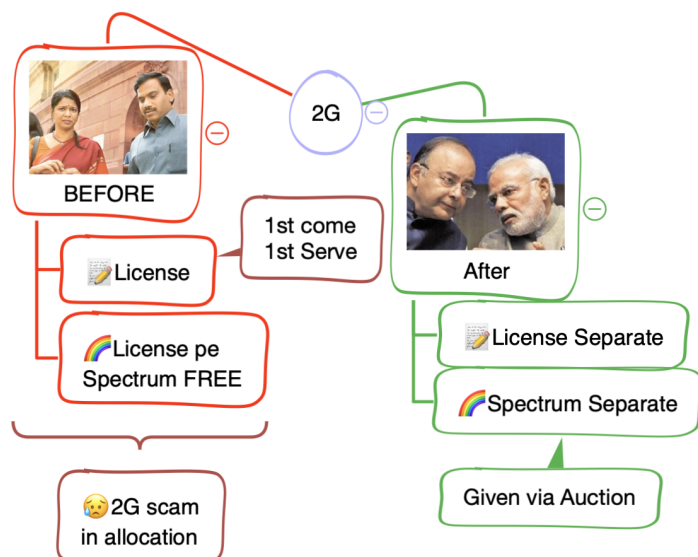
- Vodafone-Idea (Vi) has opted for 4 year moratorium on AGR payment (of ₹58,000 cr). So, they need to pay total ₹16,000 crore interest rate for next four years to Govt, in the form of A) Rupee currency or B) Equity (shares of the company) so, Vi's promoters i) Vodafone Group and ii) Aditya Birla group will transfer shares to Govt.
- 2025: Company gave shares worth **₹36,950 crore to Union** = Union owns 49%
- For more Phd: <https://youtu.be/uJzQLIZ-Z6g>

58.5 📞 × 🧑 CONTROVERSY: TELECOM → 2G SPECTRUM SCAM

To run telecom business, two things required → A) License, B) Access to Spectrum. Spectrum refers to the radio waves that are used by mobile phones to transmit data.

- **UPA-1:** we'll give license by "First Come First Serve Basis", and whoever gets the license, he will automatically get free 2G spectrum linked with his License.

- 🤖 **Scam?** Certain shell companies who had no intention of actually running telecom business applied and got licence & free spectrum → they sold it to the needy companies at higher prices, thus, making windfall profit without doing any business at all. UPA's ally DMK party's A.Raja (Telecom Minister) & Kanimozhi were arrested → later acquitted (2017).



After SC Judgement system:

- A) Companies has to apply for Unified License (i.e. valid for both voice and data services) and
- B) Company has to separately buy Spectrum through Dept of Telecom's auctioning. **(there are some new changes in it- refer to next segment on Telecom Bill / Act 2023)**

58.6 🏛️📞 TELECOMMUNICATION ACT/BILL, 2023.

- It replaced following laws: 1) Indian Telegraph Act 1885, (2) Wireless Telegraphy Act 1933 (3) Telegraph Wires (Unlawful Possession) Act 1950
- It contains following provisions:

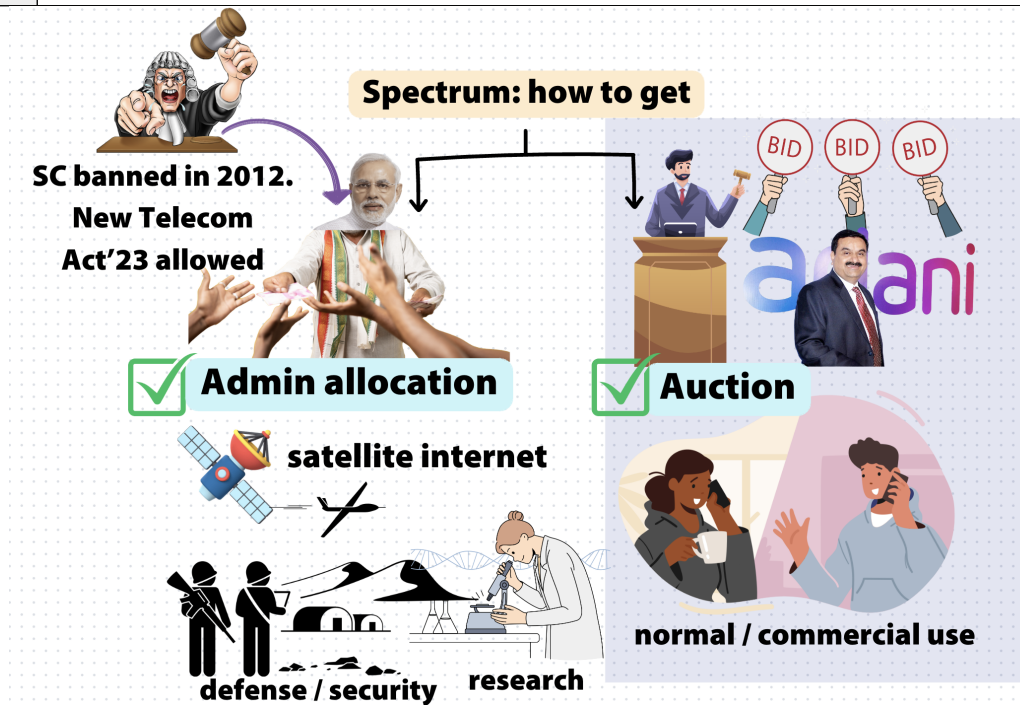
58.6.1 🏛️📞 Functions / Subjects covered

Matter	Covered in Telecom Act, 2023
Spectrum allocation / auction	✅ YES
wireless networks and Internet service	✅ YES
Content OTT services	🙅🇮🇳 No. It's under I&B Ministry.
Internet based communication apps/softwares e.g. WhatsApp and Telegram	🙅🇮🇳 No. It's under MEITY Ministry.

58.6.2 🏛️📞 Allocation of Spectrum

Year	Matter
Before 2012	UPA/Congress government gave 2G spectrum to companies via administrative discretion. There were allegations of corruption and mismanagement in it.
2012	SC declared 2g allocation illegal and an arbitrary exercise of power. (स्पेक्ट्रम की प्रशासनिक)

	विवेक/सरकारी मर्जी आवंटन को सुप्रीम कोर्ट ने अवैध ठहराया था।)
Post-2012	Govt stopped administrative allocation. Now Companies had to bid in auctions to get spectrum (इसलिए वर्ष २०१२ के बाद यदि किसी कंपनी को स्पेक्ट्रम चाहिए तो केवल नीलामी से ही हासिल कर सकती थी। सरकार द्वारा मनमर्जी मुताबिक किसी को आवंटन नहीं होता था।)



The new Telecoms Act 2023 now allows both routes (1) Administrative (2) Auction.

Administrative allocation (प्रशासनिक विवेक/ सरकार की मर्जी से आवंटन।)	Auction se allocation (नीलामी)
For national security, defence, police/ law enforcement and crime prevention, public broadcasting services, disaster management, promoting scientific research and exploration, metro rails, railways, satellite broadband services etc. 19 matters ke liye admin allocation allowed. Satellite broadband services e.g. Elon Musk's Starlink, Airtel's OneWeb, Amazon's Kuiper. - to help startup companies - to keep prices low.	for normal mobile / internet services - which are not covered in the list given in the left-hand column of this table.

58.6.3 Govt Take-over of private network? (सरकार निजी नेटवर्क अपने नियंत्रण ला सकती है)

Matter	Who can do?
Takeover telecom services during national security and war, keeping friendly relations with foreign States.	Union



Takeover telecom services during disaster and other public emergency.	Union States
Law and Order ke liye intercept messages, suspend internet/telecom services^^	Union States

- ^^ Journalists / media-houses exempted from this. But government can monitor them also, IF it's a matter of national security. (हालाँकि पत्रकारों को छूट दी जाएगी, सिवाय के राष्ट्रीय सुरक्षा का मामला हो।)
- Govt can also ask telecommunication services to transmit specific messages in public interest. e.g. corona warning, cyclone warning etc.

58.6.4 Telecom Act → Ease of Doing Biz (व्यापार में सुगमता)

BEFORE	AFTER
many stages of licences, registrations and permissions (अनेक चरण)	single authorisation process. (केवल एक ही चरण में अनुमति)
TRAI has powers to control prices (Tariffs), and dispute resolution.	No changes. (ट्राई की सत्ता यथास्थिति रहेगी। उसमें कोई बदलाव नहीं।)
Spectrum sharing, trading, and leasing of spectrum was difficult for the companies / it required government permission	Relaxed rules. (एक कंपनी अपने अतिरिक्त स्पेक्ट्रम अन्य कंपनियों को बेच सके/ किराए पे दे सकेगी।)
provisions were not clear. (स्पष्ट प्रावधान नहीं था)	government can take back unutilised spectrum from a company, and re-allot to other companies. (यदि किसी कंपनी को मिला स्पेक्ट्रम वह इस्तेमाल नहीं कर रही तो, सरकार उस स्पेक्ट्रम को वापस ले लेगी, और अन्य कंपनियों ने पुनः वितरित कर सकती है।)

58.6.5 Telecom Act → Misc. / Others provisions

- protect consumers with the setting up of a 'Do Not Disturb' register to ensure they don't receive a spam-messages without prior consent.
- Telecommunication network= NOT "asset/property" for tax purposes. So, telecom companies will get relief when selling it to other companies. (otherwise asset selling ka profit was subjected to "capital gains tax" - recall pillar2)
- Biometric User verification e.g. for selling SIM cards, internet connections etc.

Matter	Provisions
Dispute settlement	- 1) adjudicating officer → 2) committee of appeals → 3) Telecom Disputes Settlement and Appellate Tribunal (TDSAT) on the top.
Penalty	if someone giving telecom services without license = 3 years jail / ₹ 2 cr fine.

58.6.6 Telecom Act → LIMITATION / Criticism (आलोचना)

- No clarity on Adjusted Gross Revenue (AGR) matter. (एजीआर मामले पर स्पष्टता नहीं।)
- Allows government to do mass surveillance and internet shutdowns. (सरकार मनमर्जी सबकी जासूसी कर सकती है। इंटरनेट पर पाबंदी लगा सकती है।)
- Govt can require companies to de-crypt the communications. = Opposition leaders, lawyers, activists and journalists may be targeted. User privacy affected. (विपक्षी नेता / पत्रकारों आदि पर सरकार जासूसी करवा सकती है।)



- All users have to be verifiable via biometric based identification = user privacy affected. (तो बायोमेट्रिक सत्यापन के बाद ही आपको सिम कार्ड इंटरनेट खाता आदि मिलेगा कुछ लोगों को डर है इसे निजता का हनन होगा।)

58.6.7 🏠📞 Telecom Act → 🏠📞 Conclusion (निष्कर्ष)

Appreciable step by the government. Much-needed changes in the regulatory framework to encourage innovation and ease of doing biz in telecom sector. (सरकार का प्रशंसनीय कदम है. टेलीकॉम क्षेत्र में निगरानी में जो सुधार किए गए उससे नवाचार को मदद मिलेगी, व्यापार में सुगमता होगी।)

58.7 🏠 COMMUNICATION → IT → DIGITAL INDIA PROGRAMME

- 1977: National Informatics Centre (NIC) to develop websites, softwares, ICT services for govt
- 2006: Manmohan's National e-Governance Plan (NeGP)
- 2014: Modi's Digital India Mission by restructuring above things:

Boss? Ministry of Electronics & IT. Central Sector Scheme = 100% Funded by Union.

Digital India program (डिजिटल इंडिया कार्यक्रम) 9 Pillars:

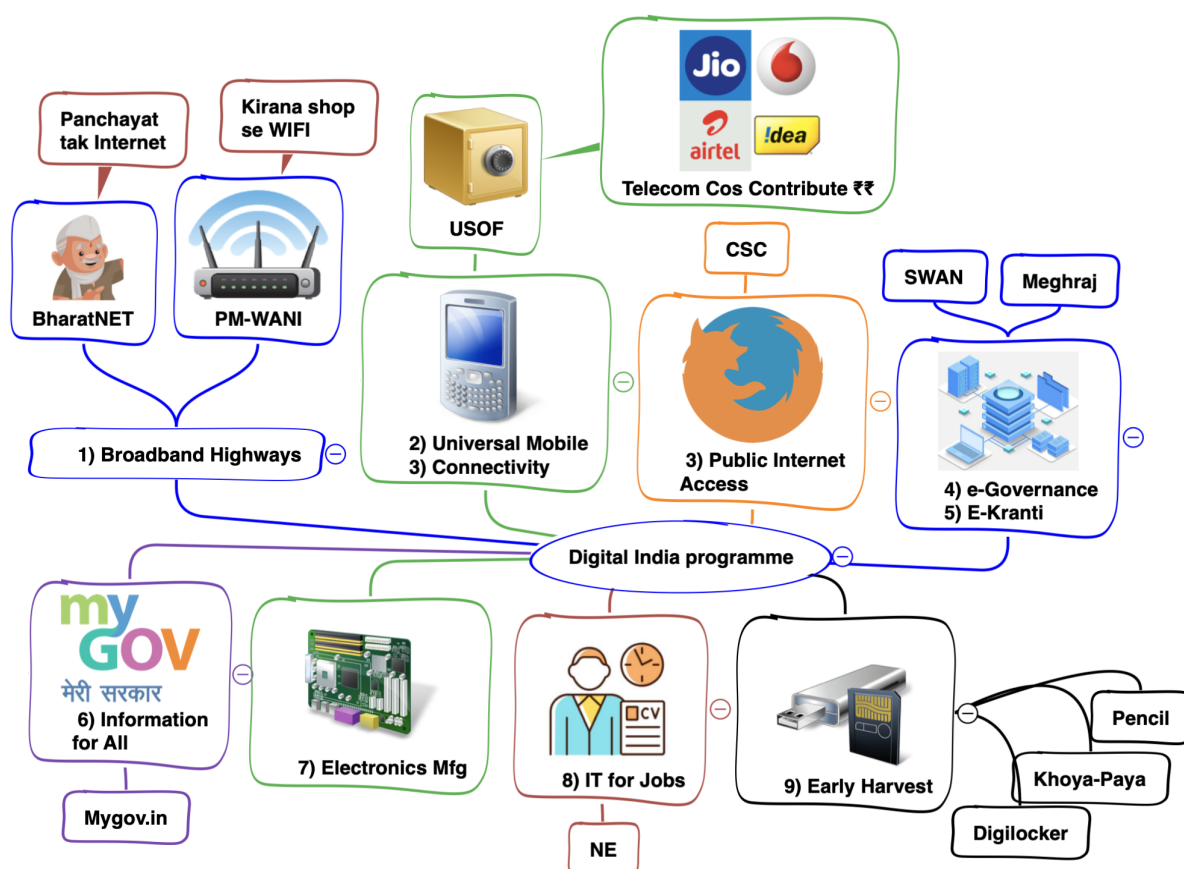
1) Broadband Highways	Communication Ministry's Department of Telecom (DoT) → - 1) Bharatnet Project/ National Optical Fibre Network (NOFN): Connect all 2.50 lakh+ village Panchayats with broadband. 🏠📞 Budget-2022:- We'll finish Bharatnet via PPP by 2025. - 2) National Broadband Mission: To provide broadband access to all villages by 2022. - 3) Ghar Tak Fiber to connect Bihar villages through high speed internet. Launched 2020-Sept. - 4) PM-WANI Public Wifi launched in 2020-Dec. 🏠📞 Budget-2025: Broadband connectivity will be provided to all Government secondary schools and primary health centers.
1) Broadband Highways (continued)	National Knowledge Network (NKN): to provide highspeed internet (Gbps speed) to all universities, libraries, laboratories, healthcare, research & agricultural institutions
2) Universal Access to Mobile Connectivity	Telecom companies required to pay ₹ ₹ to DoT's Universal Service Obligation Fund (USOF: विश्वव्यापी सेवा कर्तव्य निधि) → new mobile towers in unconnected rural / remote / LWE (naxal) areas. 🏠📞 Budget-2022:- Universal Service Obligation Fund (USOF)'s 5% funds will be allocated for R&D on affordable broadband and affordable mobile service. Target- Rural and remote areas.
3) Public Internet Access Programme (सार्वजनिक इंटरनेट एक्सेस कार्यक्रम)	- MEITY → Setup Common Services Centre (CSC) in all 2.50 lakh+ gram panchayat. So, even if a poorman doesn't own PC/mobile, he can use CSC to apply online for exams/schemes/certificates, check result, pay bills etc.



	- Dept of Post to create similar facilities in 1.50Lakh post offices.
4) e-Governance 5) e-Kranti - Electronic Delivery of Services	Develop more apps, websites and portals to reduce to improve Govt's efficiency, reduce corruption. e.g. ⇒ FinMin → Dept of Expenditure Controller General of Accounts (CGA) → Public Financial Management System (PFMS) webportal to disbursal of scheme money. ⇒ Same CGA → Bharatkosh webportal for transactions related to govt's "Non-tax revenue receipts" e.g. selling Yojana / Kurukshetra magazines online. ⇒ Dept of Post → online tracking of speed post, online sale of stamps. ⇒ NIC's Sandesh App = Whatsapp like app only for Govt employees. ⇒ MeghRaj platform: To provide Cloud Computing services <i>Benefit?</i> Cloud servers can store the file & run the softwares/Apps → individual Govt. organizations needn't buy very powerful CPU/large hard disks etc. ⇒ State Wide Area Network (SWAN) to run State Government website & e-governance services. Similarly, portals / apps for paying taxes, getting passport, registering a company, applying for admissions etc.
6) Information for All सबको जानकारी /सूचना प्रदान करना	⇒ MyGov.in: to facilitate 2-way idea exchange between citizens and Government for good governance. ⇒ Data.gov.In: researchers can obtain datasets related to ministries, departments, Macroeconomic indicators etc. ⇒ E-taal portal: It tracks the statistics of govt-citizen transactions e.g. "x" number of RTI applications filed online by the people in "y" age group from "z" state. ⇒ IGNOU, Delhi University etc. given funding to put their courses / learning modules online. ⇒ mKisan app/portal for e-extension services to farmers. And so on....
7) Electronics Mfg	Ref: Pillar#4 → Mfg → National Policy on Electronics (NPE)
8) IT for Jobs रोजगार सृजन	1) IT cos given subsidies & tax benefits for setting up BPO/call centers in North East. 2) More computer courses for villagers and ITIs.
9) Early Harvest Programmes शीघ्र परिणाम कार्यक्रम	Focuses on projects to be implemented within short timeline. e.g ⇒ Biometric attendance in govt organisations to check the absenteeism of employees, teachers and students ⇒ 🧑‍🤝‍🧑 Women and Child Ministry → Khoyapaya portal to announce lost children so others may inform the authorities.

	⇒ 🧑 Labour Ministry → Pencil portal to complaint about child labour.
	⇒ 🏠 HRD Ministry → Convert all school books into ebooks.
	⇒ 🌩 IMD + NDMA → SMS based weather info. & disaster alerts
	⇒ MEITY → CERT-In → Cyber Swachhta Kendra webportal for free tools for removal of botnet / malware / ransomware such as Petya, WannaCry etc.
	⇒ 🤖 MEITY → Saathi Chat Bot For corona awareness

58.7.1 🇮🇳 Digital India → PM-WANI Public Wifi (2020-Dec)



- ⇒ Boss? Department of Telecom
- ⇒ Pradhan Mantri Wireless Access Network Interface (PM-WANI) scheme is meant to provide public Wi-Fi service through Public Data Offices (PDOs) spread across India.
- ⇒ A kirana shop owner, a tea-stall vendor, or a Common Service Centre (CSC) — can register as PDO → install wireless routers & provide the internet to people.
- ⇒ Such PDO will not have to pay any license fees to Govt, for providing internet services (unlike JioFiber, Airtel Broadband etc companies)
- ⇒ 😊 **Benefit?** ↓ domination/looting by the Internet service providers (ISPs) and 3g/4g mobile companies & their roaming charges on data usages.

छोटे व्यापारियों की दुकानों में, सामान्य सेवा केन्द्रों में, वायरलेस राउटर स्थापित कर सार्वजनिक वाई फ़ाई. ताकि मुफ्त में/ किफ़ायती दामों पर इंटरनेट की सुविधा लोगों को मिल सके.



58.7.2 Digital India → 'Digilocker' by MEITY Ministry

- ⇒ **Digilocker:** It's similar to google drive to store files. citizen opens an online account linked with Aadhar number.
- ⇒ 1) He can store his important documents
- ⇒ 2) Organizations can send electronic copies of documents (e.g. driving license, Voter ID, School certificates) directly into his lockers.
- ⇒ 3) he can even sign documents using eSign facility.
- ⇒  Budget-2023: we'll allow more categories of document to be uploaded on digilocker. And help person change his address easily in public records, using Aadhar number.
- ⇒  Budget-2023: just like people, now even organization can open "Entity DigiLocker account" e.g. MSME, big companies, charitable trusts etc. so they can easily storing and share documents online securely, whenever needed, with various authorities, regulators, banks etc

58.7.3 Digital India → 'MyScheme' by MEITY Ministry

- is an e-Marketplace portal containing 180+ union and state schemes.
- will reduce users' time and effort in searching multiple websites of government departments and studying multiple scheme guidelines to check their eligibility.
- सारी योजनाओं को एकीकृत तरीके से सिर्फ एक पोर्टल पे ही दिखा दिया जाए, ताकि लाभार्थी को भटकना नहीं पड़ेगा अलग अलग विभागों की वेबसाइट देखने।

? MCQ. Which are aims of "Digital India" Plan of the Govt of India? (UPSC-Pre-2018)

- 1) Formation of India's own Internet companies like China did.
- 2) Establish a policy framework to encourage overseas multinational corporations that collect Big Data to build their large data centres within our national geographical boundaries.
- 3) Connect villages to Internet & bring Wi-Fi to schools, public places & major tourist centres.

Answer Codes: (a) 1 and 2 only (b) 3 only (c) 2 and 3 only (d) 1, 2 and 3

? MCQ. Which policies are aimed at improving governance at the state and central level?

(GPSC-2025-Set-M-Q161) 1. Digital India Mission 2. Smart Cities Mission

3. Direct Benefit Transfer (DBT) Scheme 4. Prime Minister Housing Scheme (PMAY)

Codes: (A) 1 & 3 only (B) 2 & 4 only (C) 1, 2 & 3 only (D) 1, 2, 3 and 4. **Note: Official key says "C".**

58.7.4 Digital Public Infra= new factor of production - says Interim-Budget-2024:

- Economists list four factors of production: land, labor, capital and entrepreneurship. (पारंपरिक रूप से उत्पादन के चार कारक होते हैं ज़मीन मज़दूर पूंजी और उद्यमी)
-  Interim-Budget-2024: Digital Public Infrastructure is a new 'factor of production'. (डिजिटल सार्वजनिक बुनियादी अवसंरचना भी उत्पादन का एक कारक है।)

58.7.5 Digital Public Infrastructure (DPI) - ES23

 ES23 appreciated how Digital Public Infra is helping citizens and government. Notable Examples:

Portal / App	Utility
Bhashini (MEITY)	translating documents into Indian languages using artificial intelligence by MEITY.



OpenForge (MEITY)	For giving access to Open source software development codes. e.g. Aarogya Setu App's source code released here. So private sector, Computer developers can also make Apps using such codes.
ONDC (DPIIT)	Open Network for Digital Commerce (ONDC) for helping e-commerce buyer and sellers. (Ref: Pillar#4B)
OCEN (MEITY)	Open Credit Enablement Network for helping borrowers and lenders.
e-Sanchit, ICEGATE, TurantCustoms (CBIC)	Portals related to customs clearance/import-export by CBIC.
UPI (NPCi)	(Ref: Pillar#1A1: Digital payment). 📌 ES23 said UPI is India's sui-generis payment infrastructure (UPI). Sui generis = first of its kind / unique / uncommon / unparalleled.
UMANG App (MEITY)	MEITY Ministry's App to help citizens to access to Government services in various sectors such as agriculture, education, health, housing, employees, pensioners, and students' welfare, the Public Distribution System, and others. e.g. EPFO application, passport application etc.
GST portal and e-way bill	GSTN company (Ref: Pillar#2A2: GST)
TReDS (multiple companies)	Short term loans to MSME through factoring. Ref Pillar#1C for more
National Single Sign-on	basically similar to how we can use gmail to log-in to IndianExpress Website, without having to create a new user name and password.
S3 Waas	Secure, Scalable and Sugamya Website. It is NIC's project for quickly creating webpages/websites for government departments.

All this will help India achieve vision of \$1 trillion digital economy by 2025- said 📌 ES23.

58.7.6 📌🏗️ India Stack for App development → 3 layers

- 'India Stack' set of open APIs (Application Programming Interface.) and digital public goods to develop mobile apps and web-portals.
- These open source codes are available for every country.
- Indiastack means three (3) interconnected layers -

Layer	Components
Identity	Aadhaar number (and related services like E-KYC, Sign, Digilocker)
Payments	UPI- Unified Payments Interface, ABPS-Aadhaar Enabled Payment Service etc.
Data Layer	Account Aggregator. They help the user share their financial information to various organisations. (Ref: Pillar#1B2 Classification-Bank/NBFC).

Who owns / regulates Indiastack?

Service	Owner
---------	-------



e-auth, e-KYC	Unique ID Authority of India (UIDAI)
eSign	Ministry of Communications and Information Technology
Digilocker	Ministry of Electronics and Information Technology
UPI	National Payments Corporation of India (NPCi)
Account Aggregator	Individual NBFCs. But Reserve Bank of India (RBI) regulates them.

58.7.7 📁 Data marketplaces & Non-Personal Data

Data marketplaces are platforms where individuals, businesses, and organizations can buy, sell, or exchange various types of data- mainly Non-Personal Data (NPD).

Personal Data	Non-Personal Data (NPD)
e.g. Kohli secured 51 marks in Maths in Class12 in CBSE school in Paschim Vihar, New Delhi.	Total how many students in Paschim Vihar got less than 55% in Maths in Class10? (this does not disclose Kohli's name/roll number.)

- Byjus/Coaching-wallas would like to buy such data for targeted advertisements in the areas with low result in board exams.
- “So we govt should sell them, such non-personal data, for earning extra income!” - Suggested past Economic Survey.
- In India, the regulation over NPD is opaque. Associated reports/keyterms are:
 - Kris Gopalakrishnan committee on NPD by MEITY.
 - Ministry of Electronics and Information Technology (MeiTY)'s the National Data Governance Framework Policy (NPD Framework)

58.7.8 🛡️ Critical Information Infrastructure

- National Critical Information Infrastructure Protection Centre (NCIIPC, HQ: New Delhi) is the nodal agency for Critical Information Infrastructure Protection.
- It is created under the Information Technology Act, 2000
- Boss/hierarchy? PM's Office (PMO) → National Technical Research Organisation (NTRO) → NCIIPC

📖 MCQ. Which are identified as 'critical sectors' by NCIIPC? (CAPF-2024)

1) Power and Energy; 2. Industry; 3. Banking and Financial Services; 4. Irrigation; 5. Education.

Codes: (a) 3, 4, and 5; (b) 1 and 3 only; (c) 1, 2, and 4; (d) 1, 3, and 4.

⚠️ **Hint:** apply elimination technique. Think of the sectors most dependent on the IT technology= 3 (Banking) is right but 4 (irrigation) is wrong.

58.7.9 🌱 Cyber Surakshit Bharat (GK asked in GPSC'25)

- It is Information Security Education and Awareness (ISEA) initiative
- by Ministry of Electronics and Information Technology (MeitY), with help of CDAC.
- To educate Chief Information Security Officers (CISO) & broader IT community at Union/State/PSU level.

58.7.10 📄 Report: NeSDA Way Forward Report (annually published since 2019)

- Boss? Ministry of Personnel → Department of Administrative Reforms and Public Grievances (DARPG)
- It highlights the progress made by the States/UTs for e-governance.
- NesDA = National e-Governance Service Delivery Assessment.

58.7.11 📄 Draft Data Empowerment and Protection Architecture (DEPA)

- by NITI Aayog, to protect personal data, digital privacy, cyber security.
- To ↓ unauthorised data sharing, fake news. [अवैध रूप से डेटा साझा करना]
- Individuals should have control over how their personal data is used and shared. [आपका निजी डेटा इस प्रकार से उपयोग में लाया जाएगा और साझा किया जाएगा इस पर व्यक्ति को नियंत्रण देना चाहिए]
- We need to Adopt best practices from General Data Protection Regulation (GDPR) in the EU etc यूरोप की अच्छी बातों की नक़ल की जाए इत्यादि चिकनी चुपड़ी बातें.

58.7.12 🖥️/📞 → IT/Telecom → Training (Misc. schemes)



Training Target	Scheme?
📞 Youth for telecom jobs	- Pandit Deen Dayal Upadhyay Sanchar Kaushal Vikas Pratisthan Scheme. Boss? Dept of Telecom (Communication Ministry).
💻 Villagers to get computer training	- Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA) - Boss? Ministry of Electronics & IT
Future Skill PRIME	- MeitY and NASSCOM jointly started for Blockchain, virtual reality, artificial intelligence, robotic, 3-D printing, and other future technology, technology training for the youth.

Apart from above, many other skill development schemes also directly or indirectly involve Computer training, but that we will see in Pillar#6 handout.

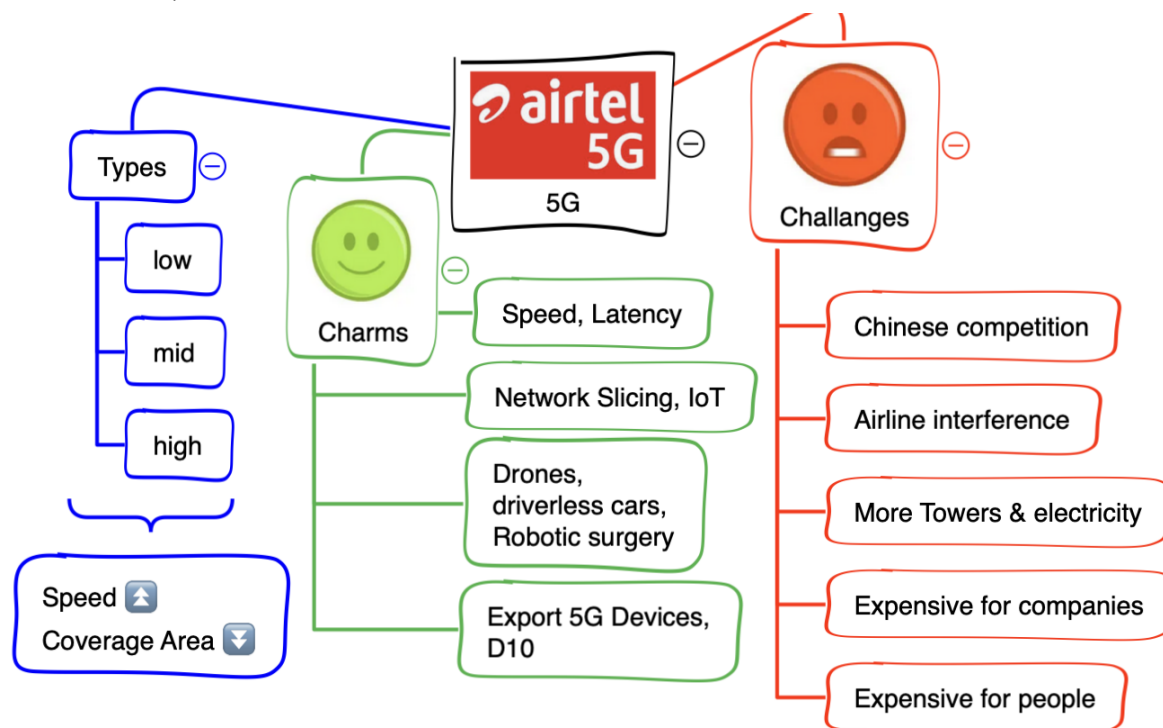
58.8 📡🚀🏡 COMMUNICATION → IT → 5G REVOLUTION IN INDIA

Fifth generation (5G) of wireless technology = 2 to 20 Gbps speed, which is much higher than present 4G which gives 6-7 Mbps speed. (एक अद्यतन बे-तार तकनीक जो 4g के मुकाबले बहुत ही ज्यादा तेजी से डाटा पहुंचा सकती है)

5G Spectrum Frequency Band	Coverage Area	Max Speed
Low Frequency	👴👴👴 (largest among 3)	👴 (100Megabits per sec)
Mid Band	👴👴 (middle)	👴👴 (middle level)
High Band	👴 (smallest area covered)	👴👴👴 (20Gigabits per sec)

- **Latency** is the amount of time taken by data to travel between its source and destination. 5G has very low latency. (स्रोत और लक्ष्य के बीच डाटा पहुंचाने में बहुत ही कम विलंब होता है)

- **Network slicing (नेटवर्क के टुकड़े करना):** mobile operators to create multiple virtual networks within a single physical 5G network. Provide faster data to tele-surgery in rural areas, driverless car, etc.
- Thus, 5g is useful in **Internet of Things (IoT) and machine to machine (M2M)** communications, CCTV surveillance, drones, real time data analytics, **industrial revolution 4.0**.
- ES25: By October 31, 2024, 5G services were launched in all states and union territories



58.8.1 Challenges and Opportunities in of 5G (इसे अपनाने में चुनौतियां+अवसर)

- China already enslaving the small Nations through cheap infrastructure loans in its 'One belt one road'. Now, China providing 5G technology & equipment to Nepalese Tourism Industry. Later China may also supply 5G to the militaries of small nations. This poses grave economic and strategic challenges to India. (Related Topic **D10 club** Ref: in Pillar#3B) (चीन भारत से आगे)
- 5g signals tend to deteriorate faster over long distances than lower-frequency signals. So, more number of towers may be required than 4g, to cover same geographical area (ज़्यादा टावर)
- 5g signals may create interference to aeroplane's altimeter device. Altimeter is a device to gauge the altitude and the distance covered by an aircraft, spacecraft or missile (एक हवाई जहाज़ कितनी ऊँचाई पर स्थित है वो नापने के लिए अल्टीमीटर नाम के उपकरण का इस्तेमाल होता है। हालाँकि वो जिस फ्रीक्वेंसी/आवर्तन पर काम करता है उसी पर 5G टेक्नोलॉजी के साथ कुछ विक्षेप/दिक्कतें आ सकती है)
- 750 million Internet users in India but 300 million still trapped in 2G speed. 5G's faster internet required for e-learning, e-medicine, e-judiciary etc.OTT
- When People upgrade their devices to use 5G → **Make in India**, employment opportunities.
- Considering these benefits, USA, China, S. Korea are working on war-footing to implement 5g. Our Department of Telecom too had setup **A.J.Paul Raj Committee**, it prepared a roadmap for rollout of 5G telephony in India by 2020.



- Govt wants to auction 5G spectrum [8300MHz] at a reserve price of ₹5 Lcr. (Reserve price नीलामी में आरक्षित रकम = minimum this amount required to participate in the auction.) But, Airtel, Vodafone unable to afford. Only Reliance-Jio may buy 5G = monopoly = not in the best interest of consumers. (मुकेश अंबानी के के हाथ में 5g का एकाधिकार होने का भय)

58.8.2 🏆 5G Hackathon by DoT (2020)

- ⇒ 2020: Department of Telecommunications (DoT) has launched '5G Hackathon' in association with Niti Aayog, MEITY, MSME Ministry, IITS & other academic and industry stakeholders.
- ⇒ Participants to give innovative ideas/solutions for 5G → win prizes worth total ₹2.5 cr!

58.8.3 📶 5G Trials start in India (2021, 2022)

- ⇒ DEPARTMENT of Telecommunications (DoT) Allowed Airtel, Reliance Jio Infocomm and Vi (formerly Vodafone-Idea), MTNL to start 5G trials
- ⇒ Following frequencies will be tested for 5G: 3.2 GHz to 3.67 GHz, 24.25GHz to 28.5 GHz band, 800 MHz, 900 MHz, 1800 MHz and 2500 MHz
- ⇒ 2022-October: 5G launched in 8 cities then ball-by-ball commentary not important.

58.8.4 🧑 5G NEST Division in MEA

- ⇒ New, Emerging and Strategic Technologies (NEST) division created by the Ministry of external affairs (MEA) for collaboration with foreign nations for 5g, artificial intelligence etc.
- ⇒ Sidenote: D10 group? (More in 📄 Pillar#3B)

58.8.5 Right of Way for 5G (रास्ते का अधिकार)

- ⇒ Right of way legal permission granted to telecommunications, electricity, water / gas companies to install and their infrastructure on public and private properties to operate their network.
- ⇒ 2022: Government has made some technical reforms through Indian Telegraph Act -> Right of Way (Amendment) Rules, 2022, will facilitate faster deployment of 5G towers.
- ⇒ टेलीफोन बिजली आदि कंपनियों को सरकारी और निजी ज़मीन पर अपनी तार/खंभे/टावर लगाने का क़ानून अधिकार.

58.8.6 📶 India's 4G Stack (2025)

- By: BSNL, TCS, C-DoT, Tejas, etc org
- Hardware + software for full 4G network
- Reduces foreign tech reliance; boosts security
- Counters China's Digital Silk Road (wherein Chinese govt plus Private companies develop/loan/sell the 5G infra in poor countries)

58.8.7 📶 Bharat 6G Alliance (B6GA, 2023)

- Boss? Department of Telecommunications + TCS, IIT-Madras, Airtel etc
- To acquire 10% of global 6G intellectual property rights by 2029-30
- by 2030: 100 Mbps to every citizen (large coverage of 5G and beginning of 6G)

58.9 📶 COMMUNICATION → IT → PRIVATE INITIATIVES FOR INTERNET

Starlink Network Project	⇒ By Elon Musk, the founder of Tesla e-cars & Space-X company.
	⇒ Aims to launch 12,000 internet-providing satellites by 2027.
	⇒ It'll provide high-speed and affordable internet at global level.
	⇒ other similar initiatives: Airtel's OneWeb, Amazon's Kuiper.
Aquila	⇒ Facebook project to use solar powered drones for delivering internet in remote



	areas. Although 2018, company abandoned the project.
Project Loon	⇒ Google company's project to provide internet connectivity in remote / hilly locations using helium balloons.

MCQ: 'Project Loon', sometimes seen in the news, is related to? (UPSC-Pre-2016)

(a) waste management (b) wireless communication (c) solar power (d) water conservation

58.9.1 COMMUNICATION → IT → Rankings

👉 Don't loose sleep. याद रहे तो ठीक है, वरना दूसरे विषय तैयार करो।

Digital Quality of Life Index	by Surf Shark, a foreign private sector tech company ⇒ To measure internet speed, affordability, cyber security & govt regulation etc-poor-cost benefit # ⌚📖 थोड़ा-पढ़ो-आगे-बढ़ो ⇒ While India in top 10 in Internet affordability but speed is very poor
Global Cybersecurity Index	by the International Telecomm. Union (ITU)-under United Nations (UN). India given 10 th Rank in 2021. We are ahead of China & Pakistan
e-Government Development Index (EGDI)	- Since 2001, United Nations Department of Economic and Social Affairs (UN DESA) has been publishing it every 2-2 years. - It monitors progress of the E-Gov projects in the UN nations. - MEITY is nodal ministry for India. India's rank 105 (2022)
Network Readiness Index	by World Economic Forum - with help of some pvt organizations / universities.

58.10 [YB] MINISTRY OF INFORMATION & BROADCASTING (सूचना एवं प्रसारण मंत्रालय)



Dept	N/A
Attached offices संलग्न संस्थाएं	- Press Information Bureau (PIB). पत्र सूचना कार्यालय - Publications Division. प्रकाशन विभाग - Directorate of Photo Division, - New Media Wing, Electronic Media Monitoring Centre - National Film Archives of India (Merged in NFDC) - Directorate of Film Festivals (Merged in NFDC)
Statutory Bodies वैज्ञानिक संस्थाएं	- Press Council of India (भारतीय प्रेस परिषद) - Registrar of Newspapers for India (RNI) → later renamed as Press Registrar General of India (PRGI). (Note: it is both Statutory body and Attached office as per their website.) - Central Board of Film Certification (केन्द्रीय फिल्म प्रमाणन बोर्ड) → Film Certification Appellate Tribunal (this tribunal removed in 2021) - Prasar Bharati: a) All India Radio (1936) b) Doordarshan (1959). Prasar Bharati motto is Bahujaan Hitaya: Bahujaan Sukhaya. Prasar Bharati also operates India's only free to air DTH platform, DD Free Dish DTH- it is the largest distributed DTH platform in the country.



CPSE सरकारी कंपनी	1. National Film Development Corporation Limited (NFDC) 2. Broadcast Engineering Consultants (India) Limited (BECIL) (1995) 3. Centre of excellence for animation, visual effects, and gaming (2024-Sept)= also called Indian Institute for Immersive Creators (IIIC). HQ: Mumbai. Type: Not for profit company (also called section 8 company)
Autonomous Organizations स्वायत्त संस्थाएं	- Film and Television Institute of India (FTII), Pune (1960) - Satyajit Ray Film and Television Institute, Kolkata - Indian Institute of Mass Communication (1965) - Children's Film Society of India (Merged in NFDC)
Activities प्रवृत्तियां	- Doordarshan Arunprabha, a dedicated 24x7 TV channel for Arunachal - Responsible for 1) National Film Awards, 2) Dadasaheb Phalke award, 3) International Film Festival of India- which is jointly hosted by this ministry & State Government of Goa. 4) Himalayan Film Festival with UT of Ladakh - SAMVAD: Systemic Assimilation of Media Views for Decision Making (SAMVAD) - an online Dashboard for analyzing the news. - Employment News/Rozgar Samachar is a weekly journal, released every Saturday, since 1976.
INDEX? सूचकांक	- Press Freedom Index: Compiled by a Paris based non government organisation Reporters sans frontières (Reporters Without Borders) - 2021's top3 rankers: Norway, Finland, Denmark. 142: India. 👉 But this type of low profile bodies giving negative rankings about India's freedom/democracy are not really important for exam! # 🇮🇳 थोड़ा-पढ़ो-आगे-बढ़ो

58.10.1 🧑🏫📺🔧 Comm → Regulators (Statutory) → Censor board



Indian Cinematograph Act, 1952 → Central Board of Film Certification (CBFC: केंद्रीय फिल्म प्रमाणन बोर्ड) commonly known as 'Censor board', under Ministry of Information & Broadcasting. It gives following types of movie certificates:

1. Unrestricted public exhibition (U)
2. Parental guidance for children <12 (U/A) e.g. "Jungle Book". Then in 2023, it was changed into 3 certificates: seven years (UA 7+), thirteen years (UA 13+), and sixteen years (UA 16+).
3. Adult (A) e.g. movie OMG2.
4. Viewing by specialized groups only (S) e.g. documentary movie about surgeries, meant to be shown to doctors only, because ordinary person may get disturbed by the blood & gore.

🧐📺 Controversy?

- 1) Former chairman Pahlaj Nihalani would do excessive cuts in the movies to stop display of smoking-alcohol, Cuss words, Kiss scenes etc. leading to debate on 'social values vs artistic freedom of expression'. (सामाजिक मूल्य बनाम अभिव्यक्ति की कलात्मक स्वतंत्रता)



- 2) Film Certification Appellate Tribunal was abolished in 2021 (Ref Pillar4B). now appeals will be heard directly @high courts.
- 3) controversies related to approval of movie Aadipurush (based on Ramayana) and OMG2 (about sex education to children)
- 4) A south filmmaker alleged censor officers demanding bribes to approve certificates.

58.11 CINEMATOGGRAPH (AMENDMENT) BILL, 2023

Before	After
Parental guidance for children <12 (U/A) = UA-12 certificate.	3 categories: U/A 7+, U/A 13+ and U/A 16+. These age-based markers would be only recommendatory. It's left to parents to consider whether their children should view such a film. (अंत में माँ-बाप पे छोड़ा है की वे एसी फ़िल्म उस उम्र के बच्चे को दिखाना उचित समझते है की नहीं?)
less strict punishment for piracy.	Strict Punishment Of Minimum 3 Months jail, And Fine of Rs. 3 Lakhs Which Can Extend Up To 3 Years jail + 5% of Production Cost of film.
Censor certificate valid for 10 years only	lifetime / perpetual validity.

58.11.1 Comm → Regulators (Statutory) → Press Council of India



- 1978: Press Council Act → भारतीय प्रेस परिषद, a statutory body under Ministry of Information & Broadcasting. **Readers can complaint** against violation of press ethics (e.g. yellow journalism, paid news, hate news).
- **Newspaper / Journalists** can complaint if their freedom of press violated.
- Chairman + members from journalism field, (members from LS & RS), members sent by (UGC, Bar Council, Sahitya academy).

Press Council of India doesn't cover TV-News channel and so we have →

Digital News Publishers e.g. Lallantop, Cobrapost etc.	⇒ (2022) Print and Digital Media Association (PADMA) setup as a self-regulatory body. ⇒ Information Technology (Intermediary Guidelines and Digital Media Ethics) Rules, 2021, provide for setting up such self-regulating bodies.
News channels e.g. NDTV, TimesNOW	⇒ News broadcaster association (NBA) : Self regulatory body set up by the news channels themselves (2008) ⇒ It punishes news-channels if they spread misinformation, hate news, harm privacy of women by showing rape victim name / face etc.



Entertainment channels मनोरंजन e.g. Colors	⇒ Broadcasting Content Complaints Council (BCCC): Self regulatory body set up by non-news general entertainment channels themselves. (2011) Punishes them for objectionable content.
Over the Top (OTT) platforms	e.g. Netflix, Amazon Prime, Hotstar, ALT-Balaji, SonyLIV etc ⇒ Before: they were regulated by the Ministry of Electronics and Information Technology.(MEITY) ⇒ 2020-Nov: Their regulation shifted to the Ministry of Information and Broadcasting (I&B). It's likely to 📶 censorship over their content. ⇒ 2023: TRAI doesn't have power to regulate OTT platforms such as Disney+Hotstar.- This judgement given by TDSAT (2023).
Notable laws about TV & Ads विज्ञापनों के साथ जुड़े कुछ प्रमुख कानून	⇒ 1954: Drugs and Magic Remedies Act prohibits advertising drugs for cancer, diabetes, abortion etc. (औषधि और जादुई इलाज कानून) ⇒ 1986: Indecent Representation of Women (Prohibition) prohibits indecent representation of women in Print Media, TV etc ⇒ 1995: Cable Television Networks (Regulation) Act prohibits sports-gambling ads. 🤖 Controversy? ads about online sports gambling sites shown in IPL
Television Rating Point (TRP)	is a data-matrix to calculate popularity of a TV show/channel. Broadcast Audience Research Council (BARC) , a private organization, prepared such TRP. 🤖 Controversy? Data Manipulation by some journalists.

58.11.2 🌐 Press-Portal → Press Sewa portal (2024)

- 🧑 Boss? Ministry of Information & Broadcasting
- for registration of Periodicals/ newspapers under the Press and Registration of Periodicals Act, 2023 (PRP Act, 2023) by the Press Registrar General of India = PRGI [previously it was called Registrar of Newspapers of India (RNI)]

58.11.3 🌐 Press- Portal → Navigate Bharat Portal (2024)

- 🧑 Boss? Ministry of Information & Broadcasting
- To give access to authentic Govt videos (e.g. press release, scheme announcement etc) at single place.

58.11.4 🤝📱🗣️ Sahyog Portal to remove social media posts

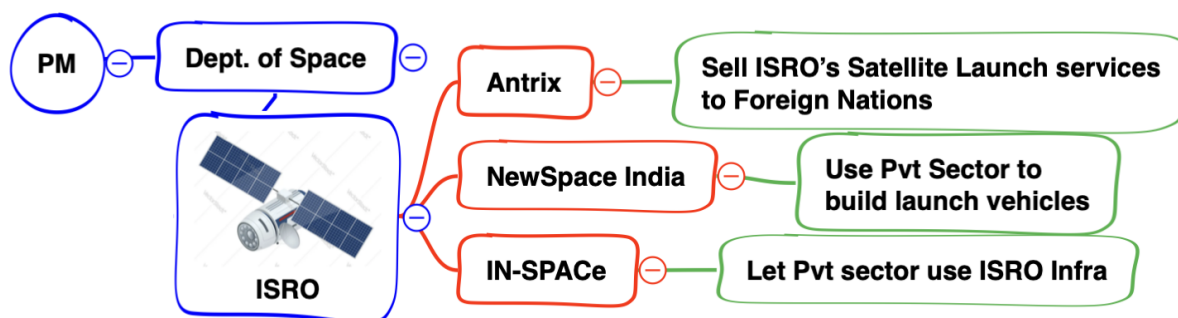
- Portal for sending govt notices to social media companies to remove content under IT Act, 2000. Controversy? = Twitter/X does not want to join it.

58.12 🚀🌐 SPACE TECH INFRASTRUCTURE (अवकाश क्षेत्र)

⇒ Prime Minister → Department of Space (DOS: HQ Bengaluru) → Indian Space Research Organisation: (ISRO: HQ Bengaluru)

⇒ DOS/ISRO has two Government companies.

- **Antrix:** It helps foreign nations/ companies to launch satellites with ISRO's help.
- **NewSpace India Limited (NSIL, 2019)** for production of launch vehicles & collaboration with private sector players.



58.12.1 🚀 Space Tech: Atma-Nirbhar

- ⇒ 2020-Jun: Govt setup Indian National Space Promotion and Authorization Centre (IN-SPACe), an independent agency under ISRO.
- ⇒ IN-SPACe will help private companies to use Indian space infrastructure for developing / launching satellites / space tourism etc. (निजी क्षेत्र की कंपनियों को अवकाश क्षेत्र की सरकारी बुनियादी सुविधा उपयोग के लिए अवसर)

Year 2019-20 data from 📊 ES21	India	USA	China
Amount spent on space programs	\$1.8 billion	10 times India	6 times India
Number of satellites launched	5-7 satellites	19 satellites	34 satellites

- ⇒ 🤖 At present, India accounts for only about 2% of the space economy, much behind the major players – USA and China. (अवकाश अर्थतंत्र में भारत की हिस्सेदारी मुश्किल के २% है)
- ⇒ 🤖 hardly 75 Indian startups out of total 60,000+ Indian registered startups are working in Space technology sector. (बहुत कम भारतीय स्टार्ट-अप इसमें काम करते हैं।)

58.12.2 🌍 India's first PPP Earth Obs satellites by PixxelSpace(2025)

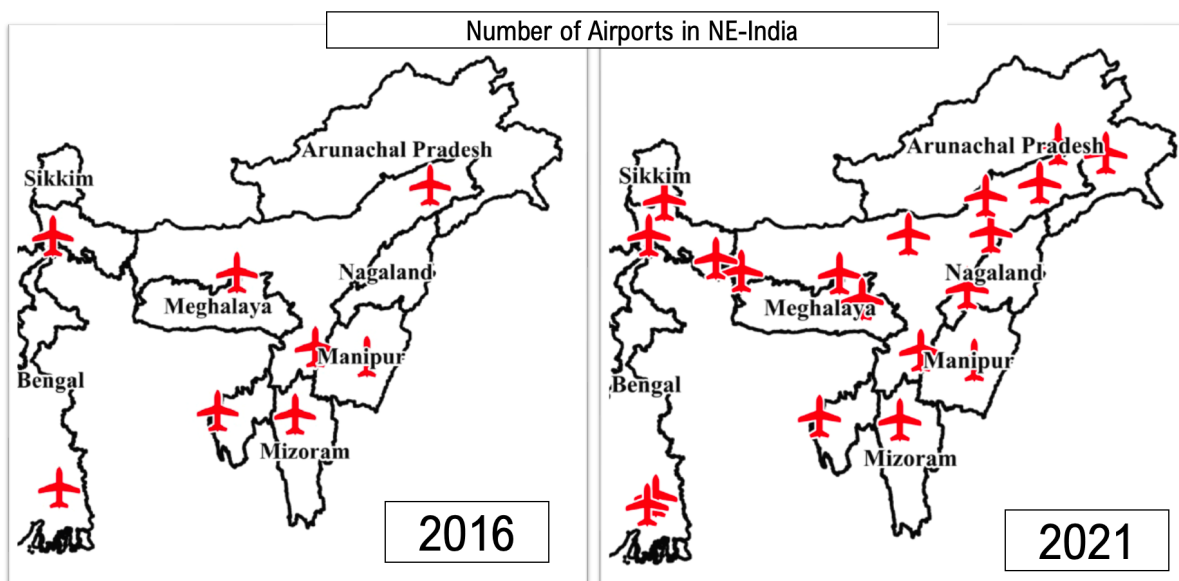
- **Partners?** Private org PixxelSpace India consortium (Bengaluru) and Sarkaari org In-SPACe
- To design, build, and operate India's first fully indigenous commercial satellite constellation under the public-private partnership (PPP) model.

govt's role	pvt company's role
strategic, technical, and policy support,	- invest more than ₹1,200 crore over the next five years to launch a constellation of 12 earth observation (EO) satellites. - own and operate the EO system, satellite manufacturing, launches from Indian soil, ground infra, and commercialisation of data services.

- ⇒ **Benefits?** climate change monitoring, disaster management, agriculture, infrastructure, marine surveillance, national security, and urban planning.

58.12.3 📊 ES22: using cartography and geospatial data to track development

- ⇒ Cartography = The art and science of graphically representing a geographical area on a flat surface such as a map or chart. (मान-चित्रकारी यानी एक भौगोलिक विस्तार को सपाट सतह जैसे कि कागज़ी-नक्शे पर अंकित करने की कला और विज्ञान)
- ⇒ Geospatial data = Geospatial data is information that describes objects or events with a location on surface. e.g. tracking location of Amazon / Flipkart delivery package or Google maps showing traffic jams. (भू-स्थानिक डेटा यानी ऐसी जानकारी जो किसी वस्तु या घटना को नक्शे की सतह पर अंकित करती है, जैसे की ट्राफिक-जाम, कुरियर डिलीवरी।)



- ⇒ ES22 Vol1Ch11 showed many competitive maps to track the development of India example. Map of Airports in India showing 2016: 60+ airports → 2021: 130 Airports. Thus, the number of airports have increased in India
- ⇒ Similarly, national highways, bank branches, metros, etc. increased.
- ⇒ India's night-time luminosity map → more urbanisation has taken place, access to electricity has improved. (रात्रि के नक्शे में विगत वर्षों के मुकाबले वर्तमान समय में भारत का ज़्यादा इलाक़ा प्रकाशित दिखता है यानी कि शहरीकरण बढ़ा है बिजली की उपलब्धता बढ़ी है.)
- ⇒ Tracking the Kharif and Rabi crop sowing cycles and crop stubble burning (बीजरोपण पराली जलाना)
- ⇒ so we can use such Geospatial data for planning, SDG goals, tracking scheme implementation, deciding property tax rates, deforestation, disaster management etc. (इस प्रकार के भू-स्थानिक डेटा का आर्थिक आयोजन, सतत विकास लक्ष्यों की निगरानी, संपत्ति के कर तय करना, -वृक्षछेदन/पैड-कटाई को रोकना, आपदा प्रबंधन इत्यादि अनेक क्षेत्रों में इस्तेमाल कर सकते हैं)

58.12.4 ISRO portal for infra/judiciary

- **ISRO's Bhuvan Platform:** supports infrastructure monitoring under schemes like MGNREGA and the watershed component of PMKSY
- **ISRO's NyayaVikas Portal:** for judicial infrastructure: Developed in collaboration with the Department of Justice, this portal monitors 2,840 judicial projects.

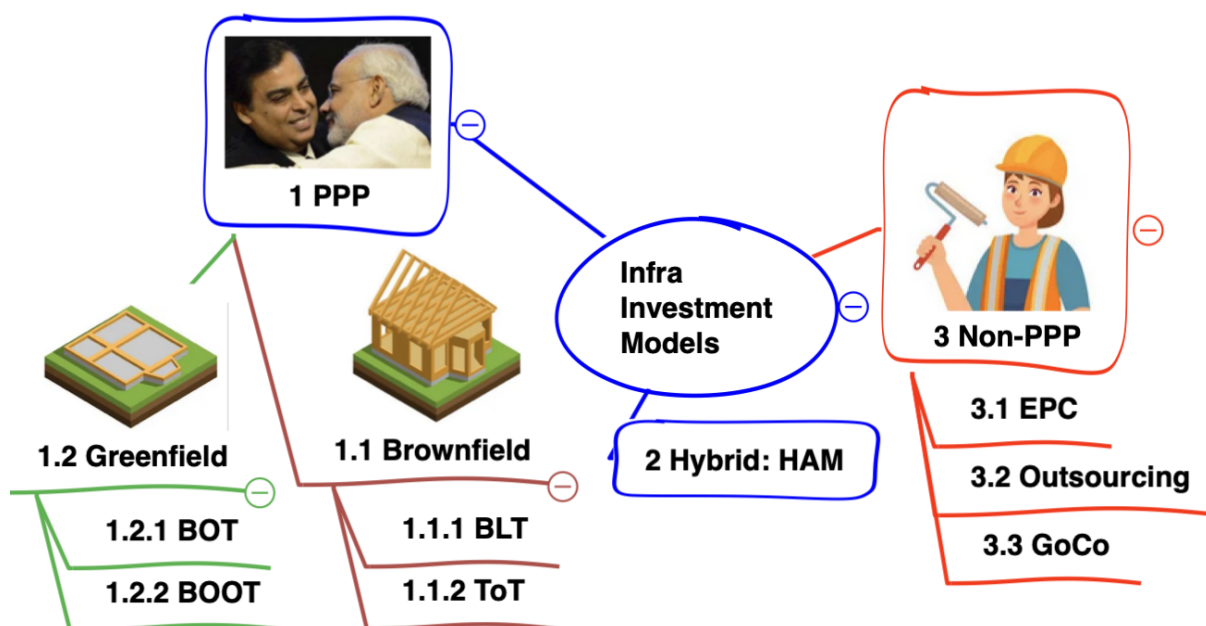
59 INFRA → GSM3: INVESTMENT MODELS (निवेश के तरीके)



Origin: Infrastructure projects require large amount of investment. Govt alone can't finance it due to fiscal deficit targets. राजकोषीय घाटा नियंत्रण लक्ष के चलते सरकार बुनियादी सुविधाओं में खुद अकेले पूरा निवेश नहीं कर सकती

- Such projects also require the level of technical expertise, management skills and professionalism that may not be available in the traditional bureaucratic apparatus. (तकनीकी विशेषज्ञता, प्रबंधन कौशल और व्यावसायिकता)
- Therefore, Infrastructure investment / development has to be done through:
 - PPP: BoT, BOOT
 - Non-PPP: such as EPC, Outsourcing (Contracting-Out), Government owned contractor operated (GOCO for Army Depots & Tanks repair)
 - Or a mixture of both e.g. Hybrid Annuity Model for highway development.

59.1 🤝👤 INFRA.DEV. → PPP (PUBLIC PRIVATE PARTNERSHIP)



- **Definition:** is a long-term contract between a public sector organization (Union/State/Local Body/PSU) and a private sector company (सार्वजनिक-निजी क्षेत्र की भागीदारी - सरकारी और निजी क्षेत्र की इकाइयों बीच एक लंबी / दीर्घ अवधि का समझौता है)
 - to build a public infrastructure (highway, ports etc.) or सार्वजनिक अवसंरचना
 - to provide public utility service (electricity, gas, water, transport, etc.). सार्वजनिक सुविधा
- In such PPP contract the ownership, risks & rewards are shared in some fashion. Unlike privatization where it's completely transferred from public sector to private sector. मालिकी/स्वामित्व, धंधे के जोखिम और मुनाफे/लाभांश की हिस्सेदारी होती है
- **PPP can be :**
 - for a **Greenfield project** (ग्रीनफील्ड परियोजना) e.g. GMR group building fresh new airport in Hyderabad. OR
 - for a **Brownfield project** e.g. Private companies upgrading the existing airports at Delhi and Mumbai. [जहाँ पर पहले से ही कोई इमारत स्थिति थी, उसे और बड़ा/बेहतर बनाया जा रहा है]

⇒ **PPP can be :**



- Done by govt forming a **Joint Venture** (संयुक्त उद्यम 50:50) or Special Purpose Vehicle (SPV: विशेष उद्देश्य से बनाई गई कंपनी) company with equity from public and private sector. OR
- Done by Govt granting 'Concession / lease / licence / permit' (a legal right) to private company (=Concessionaire) to design, develop, finance, construct, operate, maintain a greenfield / brownfield infrastructure asset. [सरकार निजी कंपनी को अनुज्ञा पत्र देकर बनवा सकती है]

59.1.1 PPP major types as per ES23

In India, private participation in infrastructure programmes supports several PPP models such as:

- Design-Build-Finance- Operate-Transfer (DBFOT)
- Rehabilitate-Operate-Transfer (ROT), Hybrid Annuity Model (HAM)
- Toll-Operate-Transfer (TOT) model.
- Build-Operate-Transfer (BOT): with 2 variants

BOT Types	BOT (Toll)	BOT (Annuity)
Payment	pvt player will collect fees from user.	govt will directly pay a fixed amount to pvt player
if traffic decreased then who'll suffer problem?	pvt player	Govt.

More details about PPP models, features, challenges= Shifted to Mains Handout

59.1.2 PPP → Joint Venture: (Theory)

- Joint venture= a joint venture is the pooling of resources and expertise by two or more businesses, to achieve a particular goal.
- There are no separate laws for joint ventures in India. They may be registered under the Companies act/Partnership Act/ LLP Act etc (Ref Pillar:1C2)
- There are two types of Joint ventures:

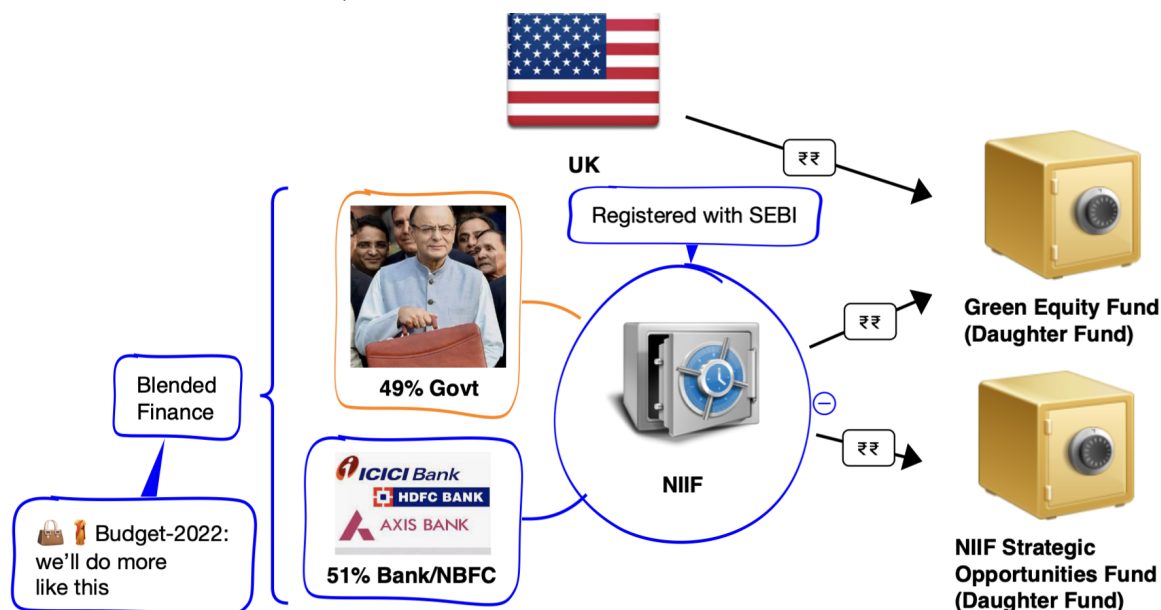
Contractual joint venture	Equity-based joint venture
e.g. Dharma Productions and Excel Entertainment doing a JV for a movie.	Hero-Honda JV company. Hyderabad Intl. Airport Company.
jointly-owned company is not created. There is only a contract/agreement to temporarily work together for project. (e.g. Dharma doing movie shooting while Excel-Ent doing VFX.)	new company created.
parties do not share ownership of the business but exercise some elements of control.	ownership depends on shareholding.

59.2 INFRASTRUCTURE FUNDS

59.2.1 National Investment and Infrastructure Fund limit (NIIF / NIIFL 2015)

- राष्ट्रीय निवेश और बुनियादी ढांचा कोष ₹ 40,000 crore. Out of that 49% from Dept of Economic Affairs (FinMin), remaining by domestic & foreign investors & financial intermediaries.
- SEBI registered NIIF as Category II Alternative Investment Funds.
- NIIF manages its four funds – (1) Master Fund, (2) India-Japan Fund (3) Strategic

- NIIF's 'fund of funds' → gives funding to other funds. E.g. 2017: India & UK set up Green Growth Equity Fund (GGEF) to finance green infrastructure projects in India. So, from Indian side NIIF invested money in GGEF.



- ⇒ NIIF Strategic Opportunities Fund (a type of NBFC debt fund company that gives loans to infrastructure projects)- this company is owned by NIIF.
- ⇒ Atma-Nirbhar: Govt to invest ₹6k cr in this company

Global Infrastructure Facility (GIF: 2004)	- By World Bank to help emerging economies and developing countries. - It provides ₹ ₹ & advisory to design PPP contract.
National Investment Fund (NIF: 2005)	During UPA raj, the ₹ ₹ from disinvestment were transferred in this fund to finance various schemes, projects, PSB recapitalization.
India Infrastructure Project Development Fund (IIPDF: 2007)	setup in Dept of Economic Affairs with ₹ 100 crores to help PPP projects. 👛 Budget-2025: we'll encourage state governments to seek funding from this for PPP project.

1] It is an organ of NITI Aayog. 2] It has a corpus of Rs. 4,00,000 crore at present.

Answer Code: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

- a) Creation of NIIF was announced in the Union Budget, 2015-16.
- b) NIIF is a fund for enhancing infrastructure facility in the country.



- c) NIIF and NIF (National Investment Fund) are the names of the same organization.
- d) NIIF can finance more than one alternative investment fund.

AB CD ? MCQ. The Global Infrastructure Facility is a/an (Asked in UPSC-Pre-2017)

- a) ASEAN initiative to upgrade infrastructure in Asia and financed by Asian Development Bank.
- b) World Bank collaboration that facilitates the preparation and structuring of complex infrastructure Public-Private Partnerships (PPPs) to enable mobilization of private sector and institutional investor capital.
- c) Collaboration among the major banks of the world working with the OECD and focused on expanding the set of infrastructure projects that have the potential to mobilize private investment.
- d) UNCTAD funded initiative that seeks to finance and facilitate infra development in the world.

AB CD ? MCQ. Which one of the following is not a fund managed by NIIF? (CDS-2024-2)

- (a) Master Fund
- (b) Fund of Funds
- (c) Strategic Opportunities Fund
- (d) Global Investment Fund Economy & Govt Schemes

59.3 💰📌 INFRA FINANCE → NATIONAL INFRASTRUCTURE PIPELINE (NIP)



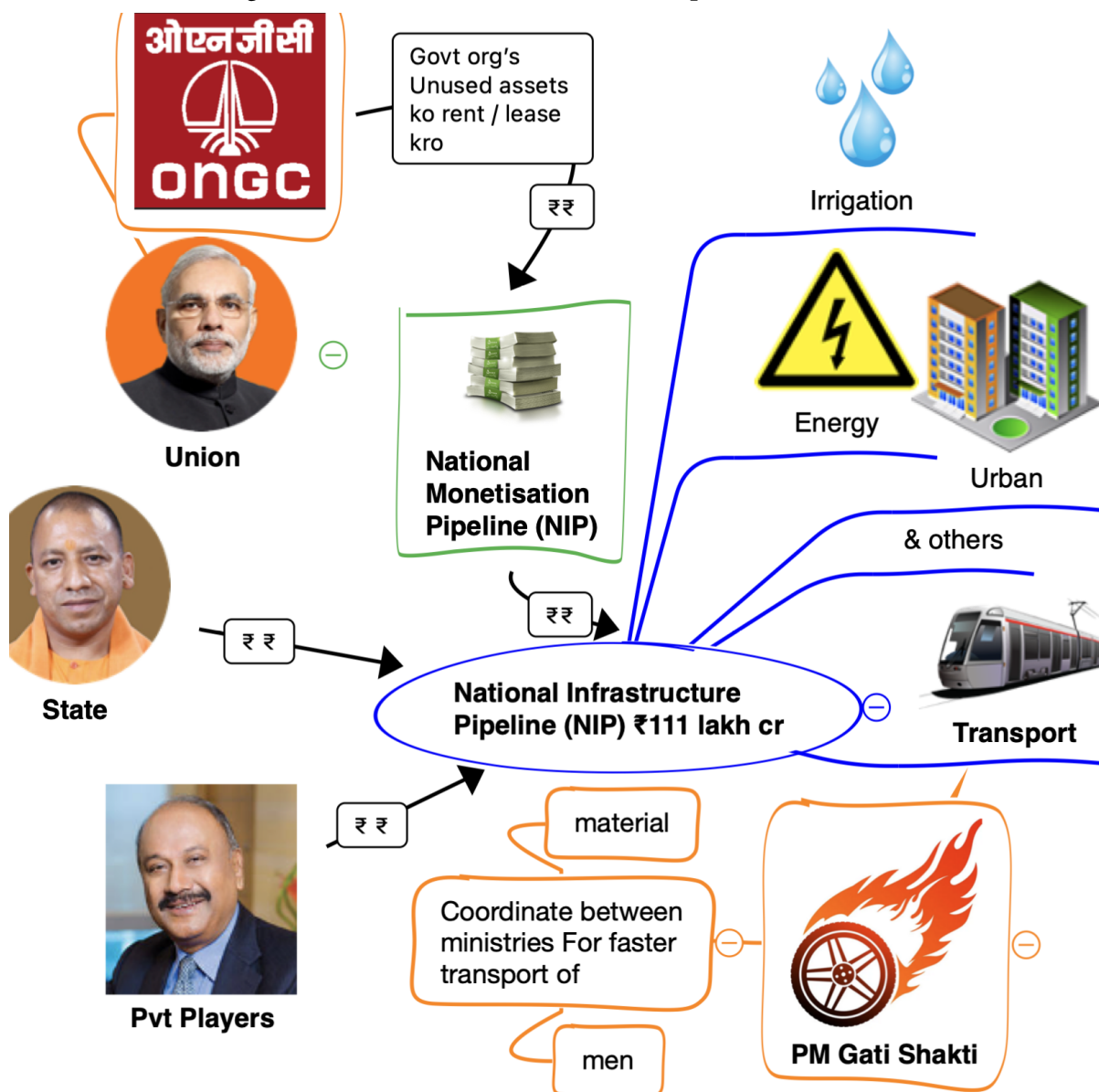
- **15th Aug, 2019:** PM Modi announced Rs.100 lakh crore would be invested on infrastructure over the next five years.
- **2019-Sept:** Finance Ministry set up a task force under the Secretary of Dept of Economic Affairs (DEA). Based on its report,
- **2019-Dec:** FM Nirmala S. announced NIP (राष्ट्रीय अवसंरचना पाइपलाइन). It aims to mobilize 102 lakh crore worth infrastructure investment in the next five year (2019-20 to 2024-25).
- **2020-Apr:** Investment target has been 📈 from ₹ 102 lakh cr to 111 lakh cr
- This funding will be spread across Energy (24%), Roads (19%), Urban (16%), Railways (13%), Irrigation (7%) etc.
- Sources of Funding/investment? Centre 39% + Private 21% + State 40%=100% funding.
- Further reforms : **Shifted to Mains Handout.** #Prelims-RAFTAAR 🇮🇳

59.4 💰📌 INFRA FINANCE → NIP, NMP, GATI SHAKTI

NAME	Announced	Objectives
National Infrastructure Pipeline	2019-Aug by PM	⇒ Over ₹100 lcr worth infrastructure investment in the next five year (2019-20 to 2024-25). This funding will be spread across Energy (24%), Roads (19%), Urban (16%), Railways (13%), Irrigation (7%) etc. ⇒ Sources of Funding/investment? Centre 39% + Private 21% + State 40%=100% funding.

NAME	Announced	Objectives
		⇒ Learned in above section
National Monetisation Plan	Budget-2021	To mobilise money by above thing by selling/renting Government companies' assets to mobilize ₹6 lakh crores from 2020-21 to 2024-25. Given in Next Section →
Gati Shakti	2021-Aug by PM	National Master Plan worth ₹100 trillion to improve transport/speed of transport (rail, road, airway, waterway etc) Given in Next Section →

59.4.1 💰🗂️👛 Budget-2021: National MONETISATION Pipeline 2021



सरकारी सड़क, मालगाड़ी के डिब्बे, रेलवे स्टेशन, बिजलीघर, खेलकूद स्टेडियम इत्यादि चीजों का सरकार मुद्रीकरण करेगी अर्थात - इन्हें बेचकर/किराए पर देकर सरकार पैसा जुटाएगी। इस कार्यक्रम की रूपरेखा बनाने की जिम्मेदारी नीति आयोग को दी गई है।

Govt planning to sell/lease assets including Roads, Railway Wagons, Railway Station, Electricity stations, Telecom Towers, Jawaharlal Nehru Sports Stadium etc. These assets will be sold/leased in following models-



- ⇒ Toll operate transfer
- ⇒ InvITS (Infrastructure investment trusts, Ref Pillar#1C)
- ⇒ Operation and maintenance contract
- ⇒ Operation management development agreement (ODMA)

NITI tasked to prepare National MONETISATION pipeline i.e. how to accomplish above things in systematic manner. Target ₹2.5 lakh crore. Out of them majority money to come via Roads (27%), Railways (25%), Power (15%), oil & gas pipelines (8%) and Telecom (6%).

MCQ. Find Correct (CAPF-2024)

1. National Monetisation Pipelines estimates that for the period 2022-2025, the top three sectors in terms of monetization potential are roads, railways, and oil and gas pipelines
2. Under the National Monetisation Pipeline, the instruments to be used for asset monetization include Public-Private Partnership concessions and Infrastructure Investment Trusts

Code: (a) 1 only; (b) 2 only; (c) Both 1 and 2; (d) Neither 1 nor 2.

Mrunal-Comment: St1 is wrong as per the ranking given in short note (bcoz power 15% is omitted)- 13_Nov_25 : Yes, as per official answerkey, ans is "B"- only 2nd st is correct.

59.5 INFRA FINANCE: GATI SHAKTI PLAN 2021 [₹100 LAKH CR]

वर्तमान में रेलवे, राजमार्ग, वायुमार्ग और जलमार्ग से संबंधित मंत्रालय अलग अलग किले/सूबे के स्वरूप में अपनी नीतियां और योजनाएं बनाते हैं। गति शक्ति योजना इन सब परिवहन मार्गों को को एकीकृत स्वरूप में आयोजित कर- भारत के आम आदमी और उद्योगपतियों को तेज़ परिवहन की सुविधा देना चाहता है

- ⇒ Presently all transportation modes (rail, road, airway, waterway) etc are treated in silos while Individual ministries design their schemes and policies.
- ⇒ **GATI Shakti plan** will integrate them for faster connectivity with a ₹100-trillion [=100 lakh crore]— as per PM's 15th Aug 2021 speech.
- ⇒  How govt will mobilize ₹100 lakh cr? Critiques argue that PM Modi just renaming the same 100 lakh cr-walla **National Infrastructure Pipeline (2019)** again as "GATI Shakti". But details not announced to difficult to say whether both [NIP vs GATI] are same or different?
- ⇒ Common man will be able to travel at a faster speed.
- ⇒ Biz man will be able to receive raw materials and send finished goods at a faster speed
- ⇒ It will help creating new (special) economic zones for exports, synergy with make in India, assemble in India, production linked incentive scheme.
- ⇒ Thus, our local manufacturers will become globally competitive →  Jobs, GDP. [यह तेज़ परिवहन योजना द्वारा भारत के विनिर्माणकर्ता अंतरराष्ट्रीय स्तर पर दूसरे निर्यातकों को स्पर्धा/टक्कर दे पाएंगे जिससे भारत में रोज़गार और आर्थिक वृद्धि दर में बढ़ोतरी के अवसर होंगे]

59.5.1 PM GatiShakti — National Master Plan Digital Portal

- ⇒ (2021-Oct) Digital portal to connect 16 ministries — Roads and Highways, Railways, Shipping, Petroleum and Gas, Power, Telecom, Shipping, and Aviation etc
- ⇒ NODAL? Dept for Promotion of Industry & Internal Trade (DPIIT) under Commerce Ministry.
- ⇒ Portal developed by? Bhaskaracharya Institute for Space Applications and Geoinformatics (BISAG, Autonomous Scientific Society under the MeitY Ministry).
- ⇒ Benefit? for better coordination in planning and project approval.



- ⇒ E.g. if new railway line is to be constructed → i) environment ministry can give faster clearance and ii) power ministry can lay down electricity cables for the railway in a faster manner.
- ⇒ Portal would officers in different-different ministries to be constant touch in real time. [गति शक्ति वेब पोर्टल जहाँ पर अलग अलग 16 मंत्रालय के बीच प्रभावी रूप से समन्वय किया जा सके। जैसे कि रेलवे की पटरी बिछाते वक़्त तुरंत ही पर्यावरण मंत्रालय से अनुमति मिले और ऊर्जा मंत्रालय तुरंत ही रेलवे-इंजन के लिए बिजली की लाइनें बिछा दें इत्यादि.]

59.5.2 GatiShakti Sanchar portal

- To help “right away applications” for telephone, electricity, gas, water etc companies.
- What is right of way? Refer to 5G section.

59.5.3 🛒 Budget-2022 on Infra Finance

- ⇒ Blended Finance: We will set up new fund of fund. (FoF) with 20% govt share and 80% by private fund managers. (Similar to NIIF model). This FoF will focus sunrise sectors such as Climate Action, Deep-Tech, Digital Economy, Pharma and Agri-Tech
- ⇒ We'll issue sovereign Green Bonds to arrange money for green infrastructure. (हरित बुनियादी अवसंरचना निर्माण के लिए पैसा जमा करने के लिए संप्रभु हरित बॉण्ड जारी किए जाएंगे।)
- ⇒ National Bank for Financing Infra and Dev (NaBFID) has been setup (Ref: Pillar-1B1)
- ⇒ National Land Monetization Corp (NLMC) has been setup (Ref: Pillar-2A1)

59.5.4 💰 Budget-2025 on infra financing

- ⇒ Asset Monetization Plan 2021–25 was successful. Now we'll do Asset Monetization Plan 2025–30 for ₹ 10 lakh crore.
- ⇒ We'll give PM Gati Shakti data and maps to Private Sector. This will help private sector in project planning.

59.6 🧑 PPP RELATED MISC. ORG/ PORTAL

59.6.1 🧑 Org: Development Monitoring and Evaluation Office (DMEO) under NITI

- ⇒ It is an attached office of NITI Aayog setup in 2015.
- ⇒ it monitors the long-term policy programmes.

59.6.2 🧑 India Industrial Land Bank (IILB) Portal

- ⇒ Shows info. of 4000 industrial parks in India- . how many vacant plots, contact details etc
- ⇒ Boss? Ministry of Commerce & Industry

59.6.3 🧑 Infrastructure Finance Secretariat

- Falls under Department of Economic Affairs, finance ministry.
- 2022: they were given bigger office building and manpower.
- Objective? Encourage PPP in infrastructure.
- 💰 Budget-2023: this organisation will do great work, we are positive about it.

59.6.4 🧑 Public Private Partnership Appraisal Committee (PPPAC),

- Chairman = Secretary, Department of Economic Affairs (DEA).
- members = Secretaries of Department of Expenditure, Department of Legal Affairs, the Sponsoring Ministry/Department, and CEO of NITI Aayog.
- function: appraisal / evaluation of the PPP project. (प्रोजेक्ट का मूल्यांकन)

59.6.5 🧑‍🔧 **Infra Monitoring: IIG and PMG**

Platform	Invest India Grid	Project Monitoring Group (PMG)
Boss	DPIIT in Commerce Ministry	DPIIT in Commerce Ministry
Purpose	Track big infrastructure projects of National Infrastructure Pipeline (NIP) (बड़े प्रोजेक्ट की निगरानी)	Fix problems related to large-scale infrastructure projects (बड़े प्रोजेक्ट के समस्या निवारण)
It monitors projects costing	₹100 crore or more	₹500 crore or more

59.7 🎵 **PPP RELATED MISC. TERMS/SCHEMES IN NEWS (2022–25)**59.7.1 🎵 **Viability Gap Funding (VGF)**

- by Department of Economic Affairs, Ministry of Finance
- To provide financial assistance to financially unviable but socially/ economically desirable PPP projects such as wastewater treatment, water supply, solid waste management, Health & Education sectors. (जो प्रोजेक्ट सामाजिक/आर्थिक विकास के लिए जरूरी है, लेकिन थोड़ा वित्तीय घाटे में रहेंगे तो, वहां सरकार अनुदान में पैसा देगी.)

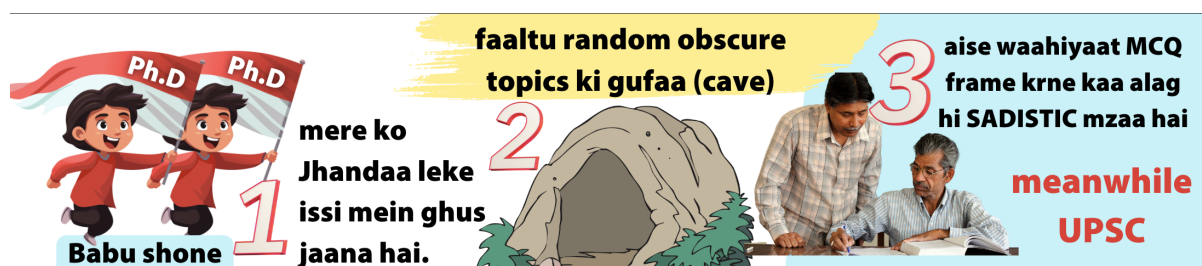
59.7.2 🎵 **India Infrastructure Project Development Fund Scheme' (IIPDF, 2022)**

- Aim? Money for hiring consultant / advisor to draft better quality of PPP projects / blueprint.
- Boss? Department of Economic Affairs (DEA), Ministry of Finance

निजी सलाहकारों को पैसा देकर अच्छी ब्लू प्रिंट बनवाना.

59.7.3 🕸 **Portal → Monetisation Pipeline → GLIS Portal**

- 📁 Budget-2019: We'll monetize the unused land assets of CPSEs (e.g. selling / renting).
- Govt Land Information System (GLIS) portal launched to keep track of all such land assets.

59.8 🤖 **RANDOM GK/ORG FOR CRAZY MCQS**59.8.1 🤖 **S3i initiative**

- Org? United Nations Office for Project Services (UNOPS, in Copenhagen, Denmark.)
- started Sustainable Investments in Infrastructure and Innovation (S3i) initiative around 2019–21. (website differ on the exact year. I will not sleep on this faaltu topic.)
- Objective? S3i will fund three focus-areas: (a) affordable housing; (b) renewable energy; and (c) health infrastructure - in (a) affordable housing; (b) renewable energy; and (c) health infrastructure. [As per original UN Document.](#)
- 2023-Feb: This fund/scheme is stopped, due to mismanagement.

AB CD !? MCQ. [Pre23-SET-A-Q030] Consider the following infrastructure sectors :

(1) Affordable housing (2) Mass rapid transport (3) Health care (4) Renewable energy



On how many of the above does UNOPS Sustainable Investments in Infrastructure and Innovation (S3i) initiative focus for its investments?

Code: (a) Only one (b) Only two (c) Only three (d) All four

Ans. As per original UN document, answer is 3 of them.

59.8.2 🤔 Stability and Growth Pact of EU

2014: It is basically set of guidelines for member countries of the European Union, to

- To control their government budget deficit / fiscal deficit.
- To implement structural reforms.
- To invest money in job creation and GDP growth.

AB CD !? MCQ. [Pre23-SET-A-Q089] How many correct about EU's 'Stability and Growth Pact'?

1. limits the levels of the budgetary deficit of the countries of the European Union
2. makes the countries of the European Union to share their infrastructure facilities
3. enables the countries of the European Union to share their technologies

Codes: (a) Only one (b) Only two (c) All three (d) None`

Ans. original FAQ document mention only the deficit control. So, answer should be A only 1.

59.8.3 🤔 ADB gives \$ 25 billion for PM Gati Shakti

AB CD !? MCQ. Recently which org committed up to \$ 25 billion for the next five years to fund India's infrastructure creation under the Prime Minister Gati Shakti initiative as well as social development and climate action, thus aiding India's aspirations for green growth? (UPSC-EPFO-2023)

(a) ☒ Asian Development Bank (b) International Finance Corporation (c) NDB (d) World Bank

59.9 📝🔊 MAINS

Question is mostly centred around how can infrastructure help in the economic development, challenges related to PPP, energy security, notable schemes such as PM Gati Shakti, Smart Cities etc. That's all shifted to Mains Handout. #Prelims-RAFTAAR.

 Next Pillar6A: Human Resource Development (HRD)



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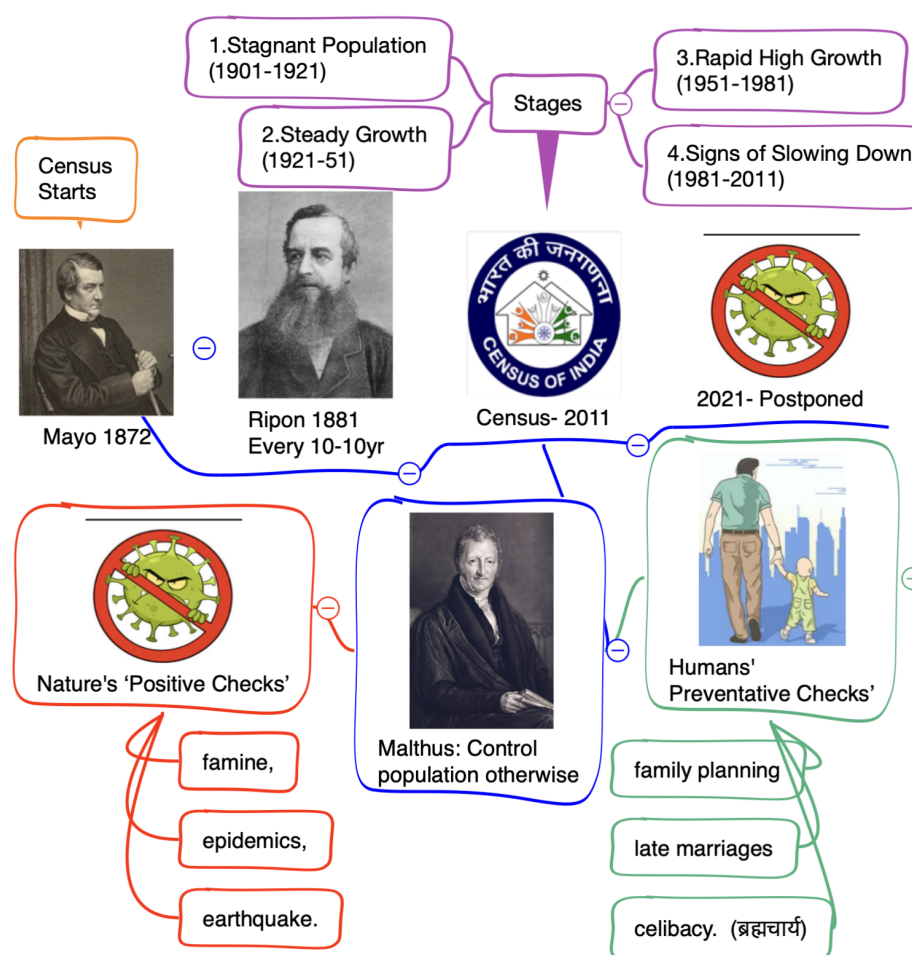


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60 👤👤 HRD → POPULATION CENSUS (जनगणना)



- 1872: Mayo conducted Census for the first time in India, but not first time in World
- 1881: Ripon started census every decade.



- Constitution → Union List Entry 69 → Census Act 1948: Home Ministry → Registrar General and Census Commissioner → At district level under respective DM (IAS).
- Post Independence: Census conducted every 10 years. 2011 = 7th Census of Free India.

60.1.1 Census -2021 postponed by Corona

- ⇒ 2019-Dec: Union Cabinet allotted Rs. ~8700+crores for conducting Census of India 2021
- ⇒ Following details will be captured: Housing Condition; Amenities & Assets, Demography, Religion, SC & ST, Language, Literacy, Economic Activity, Migration & Fertility.
- ⇒ For the first time, Mobile app will be used for data collection.
- ⇒ Census-2021 was to be conducted in two phases:
- ⇒ 1) **Population Enumeration**: 9th February to 28th February 2021.
- ⇒ 2) House listing and Housing Census: April to September 2020.
- ⇒ In this phase, parallelly, National Population Register (NPR: राष्ट्रीय जनसंख्या रजिस्टर) will also be updated for entire India except Assam. NPR exercise done under Citizenship Act, 1955)
- ⇒ 😊 **Corona**: Above census exercise postponed till 2024-25.

 Homework- NPR/Citizenship Amendment Act (CAA)/ NPR from POLITY

60.1.2 Census → Demand for OBC Caste Census

Group	Until 1931	Census 1941	Census 1951-2011
SC & ST	Collected & Published	Collected & Published	Collected & Published
OBC	Collected & Published	YES Collected but NOT Published	NOT Collected NOT Published

- ⇒ The Mandal Commission (1979) estimated the OBC population at 52%
- ⇒ Socio Economic Caste Census (SECC)-2011 has CASTE related data, BUT NOT released in public yet. [सामाजिक आर्थिक जाति जनगणना-2011: उसका डेटा सरकार ने सार्वजनिक मंच पर जारी नहीं किया है]
- ⇒ In the absence of OBC population / education / income data → Difficult to make better quality of government schemes and policies to help them. [ओबीसी समुदाय की आबादी, शिक्षा और आमदनी के डेटा की गैरहाजिरी में उनके लिए अच्छी नीतियां और योजनाएं बनाना मुश्किल]
- ⇒ So certain political groups demanding the next census should include OBC census as well.
- ⇒ 2021: Modi Govt replied in Lok Sabha: "The Government of India has decided not to enumerate caste-wise population other than SCs and STs in Census."
- ⇒ 2023-25: Bihar, Karnataka etc States begun conducting caste census.

60.1.3 Caste census to be included in the next census (2025-April)

Modi Government announced it with following reasoning:

- Article 246: Census is a union subject in the Seventh Schedule Item 69.
- While some states have conducted surveys to enumerate castes, these surveys lack transparency and conducted purely from a political angle. This is creating doubts in society.



- So, to ensure that our social fabric does not come under political pressure, we've decided to include caste enumeration in the main census. (instead of doing a separate caste census like SECC-2011.)

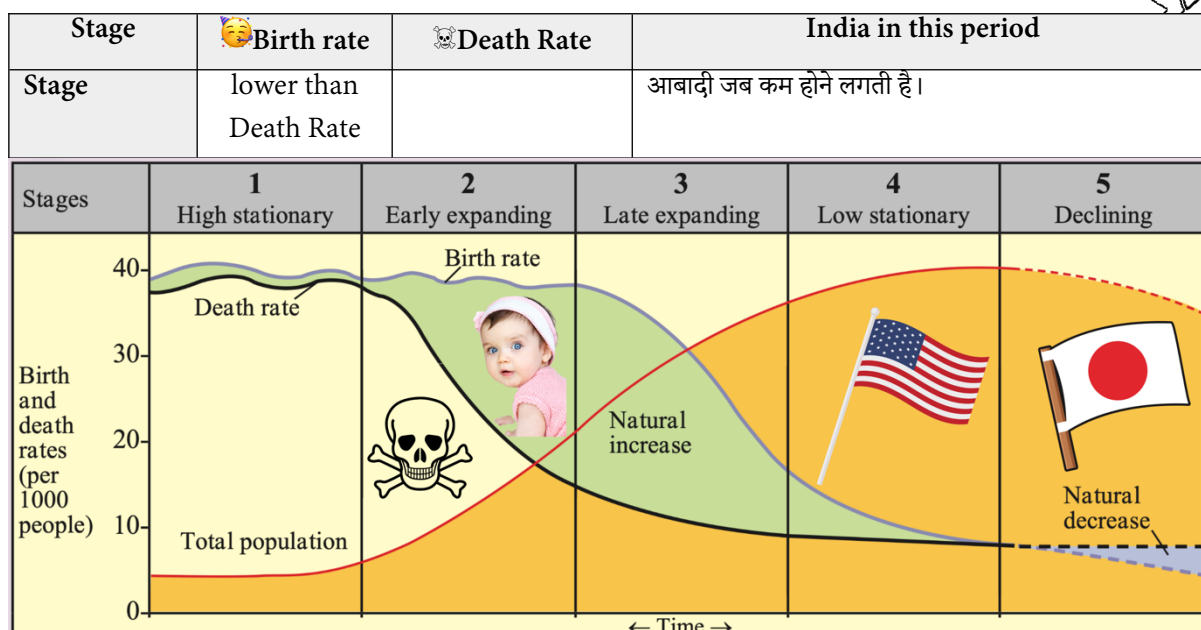
60.1.4 🧑👩👦👶 Demographic transition → Census perspective

Census Period	जनसांख्यिकीय परिवर्तनकाल: Remarks
1) Stagnant Population गतिहीन (1901-1921) 🤔 Birth rate: High. 💀 Death rate: High.	- In Census 1921 our population declined (-0.31%) compared to 1911, due to WW1, Drought, Epidemics, Spanish flu influenza. - This happened only once throughout the demographic history of India, so 1921 is called the year of Great Demographic Divide
2) Steady Growth अविचल (1921-51) 🤔 Birth rate: High. 💀 Death rate: Medium.	Called 'Mortality induced growth' because death rate had declined and so population is rising. क्योंकि लोग कम हो रहे हैं इसलिए आबादी बढ़ रही है
3) Rapid High Growth तेजी से उच्च विकास (1951-1981) 🤔 Birth rate: High. 💀 Death rate: Low.	🌱 Agri revolution: famine impact reduced कृषि क्रांति के चलते अकाल की परिस्थितियों में भुखमरी नहीं 🧑👩👦👶 Medical research: epidemics contained & चिकित्सा संशोधन के चलते महामारी नियंत्रण में - Life expectancy increased. - But people yet to change breeding behavior. Result: population explosion / 'Fertility induced growth'
4) High Growth with Definite Signs of Slowing Down (1981-2011) 🤔 Birth rate: Medium → low. 💀 Death rate: Lower.	Birth rate is gradually ↓ due to family planning, nuclear family, high cost of living. परिवार नियोजन, विभक्त परिवार, जीवन यापन की उच्च लागत के चलते युगल कम बच्चे पैदा करते हैं

60.1.5 🧑👩👦👶 Demographic Transition → Theoretical Perspective

Population change in an area is an important indicator of economic development, social upliftment and historical and cultural background of the region.

Stage	🤔 Birth rate	💀 Death Rate	India in this period
1: High Stationary	HIGH	HIGH	Upto 1920
2: Early Expanding	HIGH	MED.	1921-51
3: Late Expanding	MED.	LOW	1971 onwards India is here.
4: Low Stationary	LOWER	LOWER	Most developed countries in this phase. India to enter here ~2026.
5: Declining	LOWEST &	LOWEST	Population shrinks. E.g Japan



60.1.6 👴 Population ageing / inverted population pyramid (▼)

- Process by which the proportion of elderly individuals in a population increases over time.
- Reason: 1) declining birth rates 2) increasing life expectancy. E.g. Japan

60.1.7 👶👶👶 Pro-natalist policy: make more babies said Stalin & Naidu (2024)

- When govt encourages the birth rate/fertility rate of an area.
- 2024: Andhra CM Chandrababu Naidu & Tamil Nadu CM M.K. Stalin urged the people of their States to have more children.
- **Primary Reasons?** States with larger population (1) get more number of seats in Parliament (2) more % funding under the tax devolution formula of the finance commission.

AB CD MCQ. Which of the above countries are frequently mentioned in the media for their low birth rates, or ageing population or declining population? (IAS-2024)

(1) Italy, 2. Japan, 3. Nigeria, 4. South Korea, 5. South Africa,

Codes: (a) 1, 2 and 4 (b) 1,3 and 5 (c) 2 and 4 only (d) 3 and 5 only

AB CD !? MCQ. Which of the following statements is/are correct? (CAPF-2023)

1. Population ageing means share of the older population becomes proportionately lesser.
2. In most of the developed countries, the population in higher age groups has increased.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

AB CD ? MCQ. Arrange demographic transition with economic development (Prelims-2012)

- 1) Low birth rate with low death rate
- 2) High birth rate with high death rate
- 3) High birth rate with low death rate

Answer Codes: (a) 1, 2, 3 (b) 2, 1, 3 (c) 2, 3, 1 (d) 3, 2, 1

AB CD ? MCQ. Decadal growth of population % was highest in India in the year (UPSC-CDS-2020-ii)

(a) 1991 (b) 1981 (c) 1971 (d) 1961



AB CD ? Broadly both birth and death rates are low in which stage? [UPSC-CAPF-2021]

- (a) High stationary stage (b) Early expanding stage
(c) Late expanding stage (d) Low stationary stage

AB CD !? MCQ. Find the correct statements: (EPFO-2023)

1. Population change in an area is an important indicator of economic development of that region.
2. Population change in an area is not an indicator of social upliftment of that region.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

60.2 🧑🧒🧓 = ☁️💀 MALTHUSIAN THEORY OF POPULATION GROWTH

A British scholar Thomas Robert Malthus (1798) noted,

- Food production increases in arithmetic progression while population increases in geometric progression. Therefore, Nature itself tries to establish equilibrium between population vs food supply, using 'Positive Checks (सकारात्मक अवरोध)' such as famine, epidemics, earthquake.
- Malthus also advised humans to initiate 'Preventative Checks (निवारक अवरोध)' to control population growth e.g. family planning (परिवार नियोजन), celibacy (ब्रह्मचर्य), late marriages.

60.2.1 🧑🧒 Family planning (परिवार नियोजन)

- It is the spacing or preventing the birth of children.
- helps limiting population growth and improving women's health.
- **Tools:** 1) awareness/Propaganda, (2) free availability of contraceptives (3) tax disincentives for large families (e.g. once upon a time, China had imposed "additional tax" for violating its one-child policy)

60.2.2 🧑 NE-Population: Sikkim Govt employees to get ₹ for 2-3 kids (2023)

- Sikkim is the least populous state of India with a population of around seven lakh people.
- The state has the Total Fertility Rate (TFR) at 1.1 which is the lowest in the country.
- from January 1, 2023 - if State govt employee produces 2nd and 3rd child, then govt will pay bonus salary.
- We will not go into more terms and conditions.

60.2.3 🧑 NE-Population: Assam no state government jobs if >2 kids

- No Assam State government jobs will be given to persons having more than two children after January 1, 2021.

60.3 🧑🧒🧓 DEMOGRAPHIC INDICATORS (जनसांख्यिकी संकेतक)



Indicators	Census-2011 definitions
Population density	- Number of people per square kilometer. - It was 382 in 2011



Indicators	Census-2011 definitions
(जनसंख्या घनत्व)	
👶 Natural Growth vs Actual Growth of Population:	1. Natural Growth = Births – Deaths 2. Actual Growth of Population : Births – Deaths + In Migration – Out Migration.
Decadal pop. growth rate	– It is the Population in (Latest Census2011 – Last Census2001 / Last Census 2001. It was 17.7% in 2011 (दशकीय जनसंख्या वृद्धि दर)
👶 Birth Rate जन्मदर	– Number of live births per 1000 population. It's ~20 in 2018 (SRS)
💀 Death Rate मृत्युदर	– Number of live deaths per 1000 population. It's ~6 in 2018 (SRS)
👶 Crude Birth & Death Rates (CBR, CDR)	1. CBR = Crude Birth Rate = (live births during the year)x1000/divided by Estimated mid-year population of the area. 2. CDR=Crude Death Rate= [Number of deaths]x1000/divided by Estimated mid-year population of that year.
Population's Growth Rate जनसंख्या वृद्धि दर	– It is the difference between the birth rate and the death rate. – If it's a positive figure → rate of natural 📈 in population. – When it's close to zero then population is said to be 'stabilised' or has reached the 'replacement level'.
Fertility Rate (प्रजनन दर)	– number of live births per 1000 women in the childbearing age group (15 to 49 years).
Total Fertility Rate (कुल प्रजनन दर) 👶 → 👶👶=2	– IF woman lived through above age group, how many babies would she have produced hypothetically? – India's target: 2.1 (Replacement level: प्रतिस्थापन स्तर) i.e. she + her husband replaced by two new human beings. The Extra 0.1 is kept to compensate risk of unforeseen accident/deaths (of the babies). – 📊 ES22: Total Fertility Rate (TFR) declined from 2.2 (2015) to 2 (in 2019) which is a great achievement. This was achieved by 📈 use of contraceptives, better family planning, and girl education. (गर्भनिरोधक साधनों का ज़्यादा उपयोग, परिवार नियोजन के बारे में अधिक जानकारी, और लड़कियों की शिक्षा के चलते हम कुल प्रजनन दर को कम कर पाए)
IMR: शिशु मृत्यु दर	Infant Mortality Rate = number infant deaths under the age of 1 year per 1000 live births. It's ~34/1000 in 2016 & 32 in 2018 (SRS).
CMR: बाल मृत्यु दर	Child Mortality Rate = number child deaths under the age of 5 years per 1000 live births. It's ~50 in 2016. SDG-2030-Target: 11
MMR: मातृ मृत्यु अनुपात	Maternal Mortality Ratio = number of women who die in childbirth per 1 lakh live births. It's ~130 in 2016. SDG-2030-Target: 70.
Life Expectancy (जीवन प्रत्याशा) 📊 17 🧠	Estimated number of years that an average person is expected to survive. Indian Females (70), Males (67) - 📊 ES22: Life Expectancy higher in urban areas (72.6 years) than in rural areas (68.0 years)



Indicators	Census-2011 definitions
	- 📊 ES22: Life Expectancy highest in Kerala and Delhi (75-75 years). And Lowest in Chhattisgarh (65 years) - 📊 ES22: Females are expected to live longer than men in all areas, except for Bihar and Jharkhand. (महिलाओं की जीवन प्रत्याशा पुरुषों से ज्यादा सिवाय के बिहार और झारखंड।)
Sex Ratio लिंगानुपात ?? 🧑 / 1000 🧑	- Sex Ratio = number of females per 1000 males. 2011: 943. - Child Sex Ratio = girls (0-6 years) per 1000 boys in that age group. All India declined from 927 (2001) → 919 (2011). - 📊 ES22: Sex ratio at birth for children born in the last five years has improved in 2019-21 from 2015-16 in all states (Table 13), except for Himachal Pradesh, Bihar, Jharkhand, Chhattisgarh, Odisha, Maharashtra, Tamil Nadu, Kerala, Meghalaya, Goa and Nagaland - In India, sex ratio is expressed as no of females per thousand males - But in some nations, it's expressed as no of males per 1000 females - @global: sex ratio is about 102 males per 100 females - @ Asia: sex ratio is low i.e. # of men > # female
Doctor: Patient Ratio	- WHO requires 1 doctor for every 1000 people. India has 1 doctor for every 834 people. Says 📊 ES23 (Here, doctor= Both Allopathic and Ayush).
Age Pyramid	It's a structure that shows proportion of persons in different age groups relative to the total population.
Dependency Ratio निर्भरता अनुपात (%)	- 🧑🧒 ÷ 🧑♀️ 🧑♂️ = (population below 15 & above 64) divided by population in the 15-64 age group.

You can prepare ascending descending orders of states / UTs demographic indicators from here cbhidghs.nic.in/WriteReadData/l892s/Chapter%201.pdf but very poor cost benefit

60.3.1 📊 ES25 - Healthcare expenditure

National Health Accounts statistics by Health Ministry	2021-22
Total Health Expenditure	₹9,04,461 crore
Share of GDP	3.8%
Per Capita Expenditure	₹6,602 (at current prices)

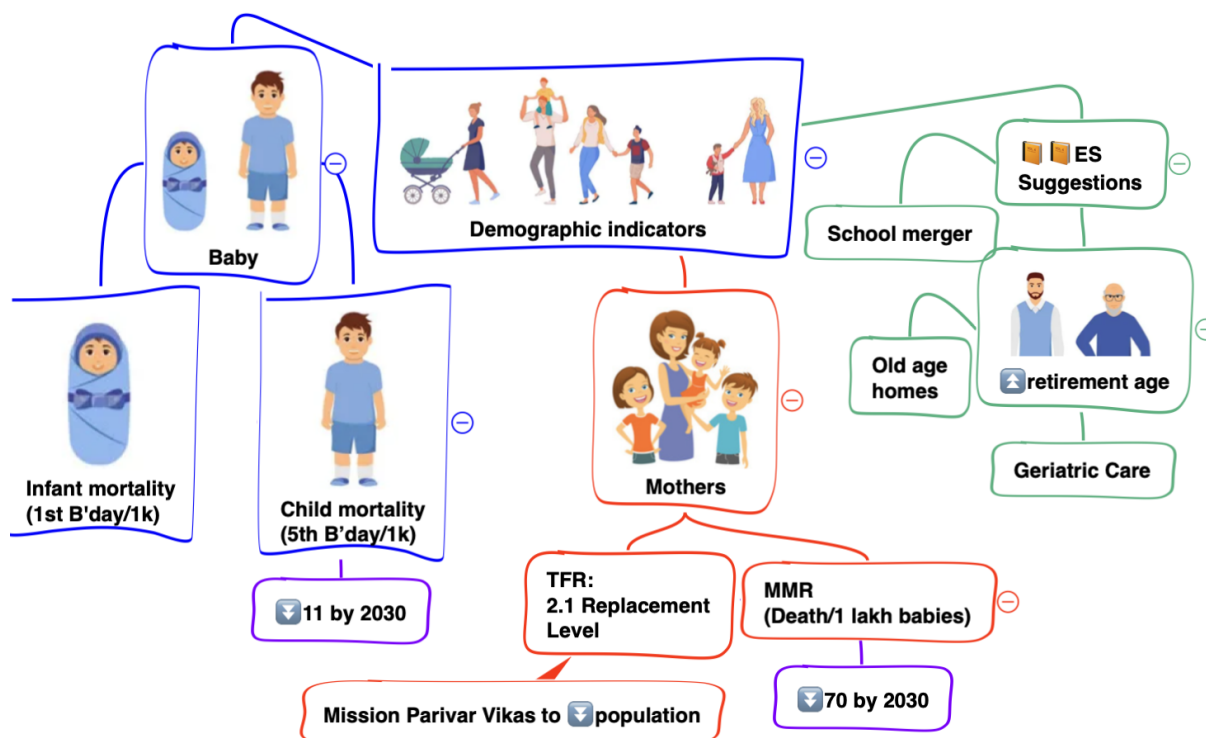
60.3.2 🧑 Demographic Dividend (जनसांख्यिकीय लाभांश)

- Phenomenon when dependency ratio of a country declines, and larger proportion of people in the working age compared to dependency age. जब निर्भरता अनुपात में गिरावट, और कार्यशील आयु में लोगो की संख्या बढ़े, उसे कहते हैं
- demographic dividend temporary because the larger pool of working age people will eventually turn into non-working old people.



60.3.3 🧑 Silver Dividend (रजत लाभांश, बुजुर्ग आबादी से होने वाले लाभ)

silver dividend refers to the potential economic and social benefits of when senior citizens remain active in economic, social and familial roles.



60.3.4 🇮🇳 Census-2011: migration & occupation (स्थानान्तरण)

- **Migrant:** person settled in a place different from his previous residence.
- Migration may be permanent, temporary or seasonal.
- It may take place from (1) rural to rural areas, (2) rural to urban areas, (3) urban to urban areas and (4) urban to rural areas (= reverse migration during corona factory-lockdown.)
- **Immigration:** Migrants who move into a new place are called Immigrants.
- **Emigration:** Migrants who move out of a place are called Emigrants.

🧑 Push factors [धक्का देनेवाले कारक]	😊 Pull factors [आकर्षित करने वाले कारक]
Push Factors: force that drives people away from a place.	Pull Factors: force that draws people to immigrate to a place.
Lack of jobs/good salary/Biz Opportunity	Presence of it (धंधे/रोजगार के अवसर)
Lack of Basic amenities: water, shelter, hospital (पानी अस्पताल घर जैसी बुनियादी सुविधाएँ न होना)	Presence of it (उन सुविधाओं की मौजूदगी/ उपलब्ध होना)
Disasters, floods, famines (आपदा, बाढ़, अकाल)	Absence of it
Crime, War, lack of safety (अपराध, युद्ध, असुरक्षित)	Safe, peaceful society (सुरक्षित और शांत समाज)

⇒ 37% of Indian are internal migrants. Among them, majority are female (70%)

⇒ Main reason for migration: A) Female: marriage (70%) B) Male: work & employment (28%)> moved with household > moved after birth.



⇒ **Occupation:** Census divided the working population of India into four major categories:

1.Cultivators 2.Agricultural Labourers 3.Household Industry Workers 4.Other Workers

AB CD ? MCQ. According to the Census 2011, in India, what is the % of people (approximately) considered to be migrants (internal), i.e. now settled in a place different from their previous residence? (CDS-i-2020)

(a) 25% (b) 35% (c) 45% (d) 55%

AB CD ? Which is the biggest cause of migration of females in India? (UPSC-CDS-i-2020)

(a) Employment (b) Education (c) Marriage (d) Business

AB CD ? 2011 Census has divided the working population of India into four major categories. Which one of the following is NOT one of them? (UPSC-CAPF-2020)

(a) Cultivators (b) Domestic workers (c) Household industrial workers (d) Agricultural Labourers

AB CD ? Which one of the following is a pull factor for migration? [UPSC-CAPF-2021]

(a) Natural disaster (b) High wage (c) Housing shortage (d) Low income

60.4 DEMOGRAPHIC INDICATORS: 500 JAAT KE REPORTS

Note: No need to memorize all of them, but try to memorize some data for using in Mains intro/body/conclusion.

60.4.1 NITI's "Healthy States, Progressive India"/Heath Index

- NITI Aayog health index for 2019-20 (Released in 2021-Dec) (नीति आयोग का स्वास्थ्य सूचकांक)
- Top-3: #1: Kerala, TN, Telangana. | Bottom-3: MP, Bihar, UP (Bottom-most).
- W.Bengal didn't participate. Further, ranking in sub-categories: (larger states, smaller states, and Union Territories), but poor cost benefit in memorising.
- Started since 2017. This report measures 24 indicators grouped under 3 pillars 1) 'Health Outcomes' 2) 'Governance and Information', 3) 'Key Inputs/Processes'

60.4.2 National Family Health Survey (NFHS)

Table VI.17: Improvement in health-related Indicators

	NFHS-4 (2015-16)	NFHS-5 (2019-21)
Households with any usual member covered under a health insurance/ financing scheme (per cent)	28.7	↑ 41.0
Total fertility rate (children per woman)	2.2	↓ 2.0
Current Use of Family Planning Method- Any Method (per cent)	53.5	↑ 66.7
Mothers who had at least 4 antenatal care visits (per cent)	51.2	↑ 58.1
Institutional births (per cent)	78.9	↑ 88.6
Neonatal mortality rate (per 1000 live births)	29.5	↓ 24.9
Infant mortality rate (per 1000 live births)	40.7	↓ 35.2
Under-five mortality rate (per 1000 live births)	49.7	↓ 41.9

- Who? Health Ministry's International Institute for Population Sciences (IIPS), Mumbai.
- NFHS done 5 times: 1992–93, 1998–99, 2005–06, 2015–16, & 2019-21 (NFHS-5)



- NHFS-5: Phase1) Data published in 2020-Dec for 22 State/UT's
- NHFS-5: Phase2) Data published in 2021-Nov, for remaining State/UT Uttar Pradesh (UP), TN, Punjab, Rajasthan, MP, Jharkhand, Haryana, and Chhattisgarh etc. 14 State/UT.
- All India level: Total fertility rate has declined: 2.7 children (2005). This TFR ↓ to 2.2 (2015) and now ↓ 2.0 (as per latest NFHS). (अखिल भारतीय स्तर पर महिलाओं के कुल प्रजनन दर में कमी आयी है.)
- But, still TFR>2.1 in Madhya Pradesh, Rajasthan, Jharkhand, Uttar Pradesh. (हालाँकि कुछ राज्यों में अभी भी महिला कुल प्रजनन दर ज़्यादा है)
- Overall usage increased for Contraceptive's usage, Vaccine usages , institutional births, breast-feeding, women bank accounts, women mobile phones (इनमें बढ़ोतरी हुई है: गर्भनिरोधक-साधनो का उपयोग, टीकाकरण, प्रसव अस्पताल में, बच्चों का स्तनपान, महिलाओं के बैंक खाते और महिलाओं के मोबाइल फ़ोन)
-  child malnutrition but change is not significant as drastic changes in respect of these indicators are unlikely in short span period. (बाल कुपोषण थोड़ा-सा/हल्का सा कम हुआ है, लेकिन बहुत प्रभावी असर अभी तक नहीं देखी गई, क्योंकि ये कुछ समस्याएँ हैं जिसमें कम अवधि/छोटे समय में ज़ोरदार सुधार नहीं दिख सकता।)
- Anaemia among children and women continues to be a cause of concern. (महिला और बालको में अनीमिया चिंता का विषय अभी भी है।)

60.4.3 Health Surveys: National Level

Title	Owner
National Health Profile	Health Ministry → DG Health Services → Central Bureau of Health Intelligence doing annually
Sample Registration System (SRS)	Home Ministry → Registrar General of India doing annually. (Notable numbers given below)

Table VI.18: Trends in Mortality indicators

	2014	2016	2018	2020
Maternal Mortality Ratio (per lakh live births)	167 (2011-13)	130 (2014-16)	113 (2016-18)	97 (2018-20)
Infant Mortality Rate (per 1000 live births)	39	34	32	28
Neonatal Mortality Rate (per 1000 live births)	26	24	23	20
Under 5 Mortality Rate (per 1000 live births)	45	39	36	32
Early Neonatal Mortality Rate – 0- 7 days (per 1000 live births)	20	18	18	15

Source: Sample Registration System

 ? MCQ. Find wrong statement(s) about sex composition? (CDS2019-II-Q75.)

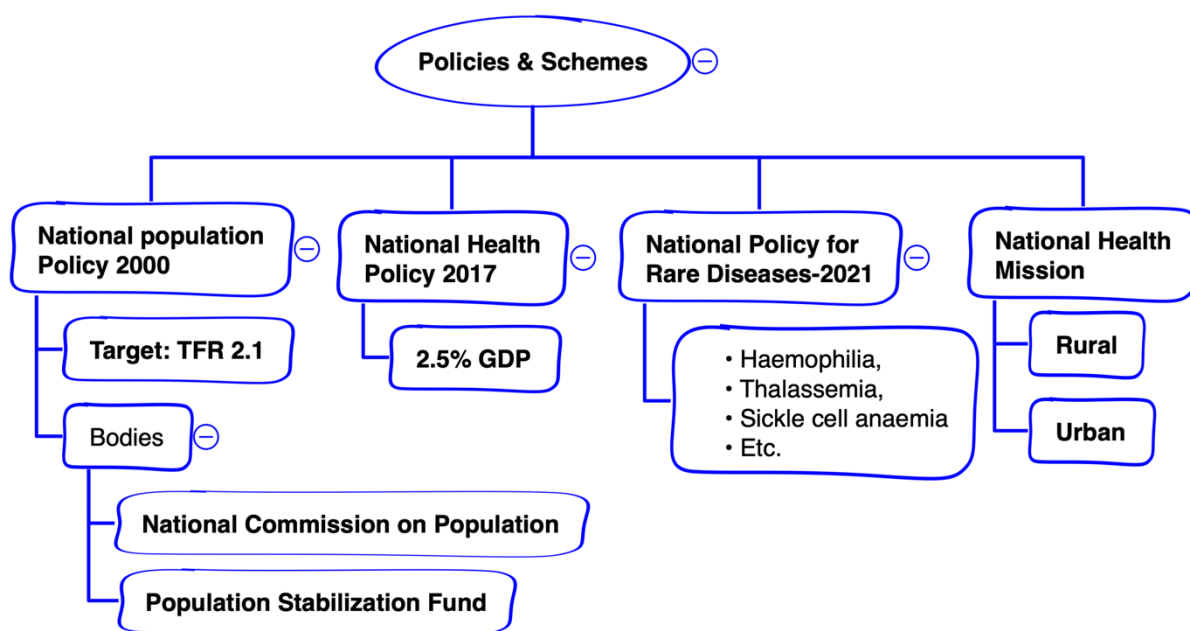
- In some countries, sex ratio is expressed as number of males per thousand females
- In India, sex ratio is expressed as number of females per thousand males



c) At world level, sex ratio is about 102 males per 100 females| (D) In Asia, there is high sex ratio.

60.5 🧑🧒📊🗄️: 🧠 NATIONAL POPULATION POLICY 2000 (राष्ट्रीय जनसंख्या नीति)

- ⇒ Achieving TFR= 2.1 (Replacement level) by 2010. (Although now shifted to 2025)
- ⇒ Achieve stable population by 2045 i.e. India's population growth rate and age pyramid composition should remain stable. स्थिर आबादी
- ⇒ Encourage family planning, use of contraceptives, safe abortions, HIV control, universal immunization, compulsory registration of birth and death etc. परिवार नियोजन, गर्भ निरोधकों का उपयोग, एचआईवी नियंत्रण, टीकाकरण, जन्म और मृत्यु का अनिवार्य पंजीकरण
- ⇒ Recommended that Lok Sabha and the Rajya Sabha seats be freezed based on the 1971 Census, until 2026. So that political parties don't encourage people to produce more babies just to increase number of parliament seats in their state.
- ⇒ Setup two bodies →
- ⇒ **A National Commission on Population** (राष्ट्रीय जनसंख्या आयोग) Under the chairmanship of Prime Minister, all CMs, selected union ministers, NGO & experts to oversee the implementation. (Although appears defunct body).
- ⇒ **2005: Population Stabilization Fund** (जनसंख्या स्थिरता कोष): An autonomous body, chaired by Health Minister, for awareness generation, community participation, mobilising ₹ donations etc. Known for 2 schemes:
 - 🧑🧒♀️ **Prerna Scheme** (for encouraging delayed marriage, childbirth and spacing. ASHA workers will give counselling to couples, provide contraceptives etc)
 - 🧑🧒♂️ **Santushti Scheme** (Public Private Partnership for sterilization services, नसबंदी)





60.6 🧑👤🗳️📊📈📉📊 REPORTS/RANKING: GLOBAL LEVEL

60.6.1 🧑👤🗳️📊📈📉📊 World Population Prospects 2022 (Released in 2022-Jul)

- ⇒ Published by United Nations department of economic and social affairs.
- ⇒ India's population will surpass China in 2023.
- ⇒ The global population is expected to grow to around 8.5 billion in 2030, 9.7 billion in 2050 and 10.4 billion in 2100.

60.6.2 🧑👤🗳️📊📈📉📊 State of World Population Report

- ⇒ By United Nations Population Fund (UNFPA)- United Nations sexual and reproductive health agency HQ: New York.
- ⇒ Theme for 2023: 8 Billion Lives, INFINITE POSSIBILITIES- the case for rights and choices (8 बिलियन जीवन, अनंत संभावनाएँ- अधिकारों और विकल्पों का मामला)
- ⇒ As per 2023's report: India will be world's most populous with 142.86 cr by mid-'23.

	Population	15-64 years	65+	TFR	Life expectancy
India	1,428.6 mn	68%	7%	2.0	72.5 yrs
China	1,425.7 mn	69%	14%	1.2	79 yrs
World	8,045 mn	65%	10%	2.3	73.5 yrs

AB CD ? theme of the annual report UNFPA on State of World Population – 2019. (UPSC-CAPF-2019)?

- a) Worlds apart : Reproductive health and rights in an age of inequality
- b) The power of choice : Reproductive rights and the demographic transition.
- c) ☒ Unfinished business – the pursuit of rights and choices for all (this was correct answer)
- d) How our future depends on a girl at this decisive age

60.7 📖📖 ES19: INDIAN DEMOGRAPHY @2040- POLICY SUGGESTIONS

Shifted to Mains Handout. #Prelims-RAFTAAR 🇮🇳

61 🧪 HRD → HEALTH (स्वास्थ्य)

SDG Goal#3: Ensure Healthy Lives & Promote Well-being For All

India's Baseline (आधार रेखा)	India's SDG-Target-2030 (लक्ष)
Maternal Mortality Ratio (MMR per 1 lakh live births): 130. मातृ मृत्यु अनुपात	Reduce to 70: Kerala, Maharashtra, Tamilnadu achieved. While UP, Assam etc. have 200+ deaths
Under-5 Child Mortality Rate (per 1000 live birth): 50. बाल मृत्यु दर	Reduce to 11: Only Kerala achieved so far (7)
Annual Reported TB cases per 1 lakh population: 138	Reduce to 0
No. of Govt doctors, nurses and midwives per 1,00,000 population: 221	Increase to 550: Kerala achieved (700)



SDG Goal #3 (health) also requires nations to reduce road accidents, alcohol and tobacco abuse, mental-illness, and end HIV/AIDS, Malaria, Hepatitis and other communicable diseases. However, India has not put any quantifiable targets for that. (हमने अपनी औकात के हिसाब से लक्ष्यों चुने हैं.)

61.1.1 [YEARBOOK] Ministry of Sci and Technology (विज्ञान और प्रौद्योगिकी मंत्रालय)

Dept	⇒ Department of Science and Technology (DST) ⇒ Department of Scientific and Industrial Research ⇒ Department of Biotechnology
Subordinate	⇒ Survey of India, The National Survey and Mapping Organisation ⇒ National Atlas and Thematic Mapping Organisation (NATMO)
Statutory	⇒ Under DST: Science & Engineering Research Board, Technology Development Board
Autonomous	⇒ National Innovation Foundation in DST ⇒ Indian Science Cong. Association, KOLKATA, in DST ⇒ National Institute of Immunology, in Biotech Department ⇒ Technology Information, Forecasting and Assessment Council (TIFAC). ⇒ ++Truckload of Science and Research bodies.
CPSE सार्वजनिक क्षेत्र उपक्रम	⇒ Bharat Immunological & Biological Corporation ⇒ Indian Vaccine Corporation Ltd (IVCOL) ⇒ Biotechnology Industry Research Assistance Council (BIRAC) ⇒ (*) Central Electronics Ltd.

(*) means approved for strategic disinvestment (=privatization) in 2019

NOTE: Dept of Pharmaceutical = Chemical & Fertilizer ministry (Pillar#5)

61.1.2 [YEARBOOK] Ministry of Health And Family Welfare

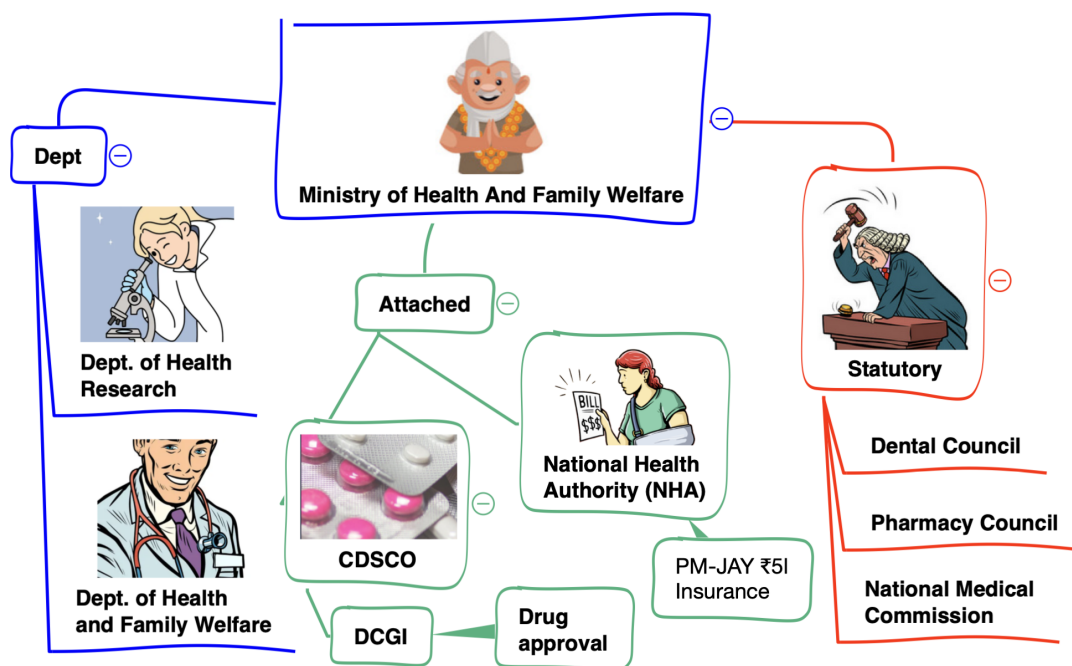
स्वास्थ्य एवं परिवार कल्याण मंत्रालय consists of <following notable orgs..>

Dept	– Dept. of Health and Family Welfare – Dept. of Health Research
Attached offices संलग्न कार्यालय	– Directorate General of Health Services ○ Central Bureau of Health Intelligence (CBHI) → release annual report 'National Health Profile of India'. ○ National Organ and Tissue Transplant Organization (NOTTO) @Safdarjung Hospital, Delhi – Central Drugs Standard Control Organization (CDSCO) → Drug Controller General of India (DCGI) for drug clinical trials & approvals. – National Health Authority (NHA) to implement PM-JAY ₹5L.
Statutory वैधानिक संस्था	– Indian Red Cross Society, All India Institute of Medical Sciences (AIIMS) <u>To regulate syllabus & profession-following bodies</u>



	– Pharmacy Council, New Delhi – Dental Council, New Delhi. National Dental Commission Act 2023, aims to replace this body with a new National Dental Commission (NDC) – Medical Council Of India: Accused of corruption & mismanagement in granting permission to new medical colleges → National Medical Commission (NMC: राष्ट्रीय चिकित्सा आयोग) Act 2019 replaces this archaic body with a new commission with powers to control fees in private medical colleges, system of 'common entrance exam', and 'exit (Licentiate) exam' to ensure doctor quality etc. – (Proposed) National Nursing and midwifery Commission Bill to replace Indian Nursing Council. Florence Nightingale award. She was a British reformer & founder of modern nursing. – 2020- National Commission for Allied Healthcare Professionals Bill to cover physiotherapist, X-ray Machine operator, physiotherapists, optometrists, nutritionists etc. (स्वास्थ्य सेवाओं से जुड़े पेशेवर)
Autonomous स्वायत्त संस्था	– National Population Stabilisation Fund – All India Institute of Speech and Hearing, Mysore – International Institute for Population Sciences, Mumbai, a 'Deemed University', nodal for National Family Health Survey (NFHS). Five rounds of NFHS (1992, 1998, 2005, 2015, 2019) done in India. – Indian Pharmacopoeia Commission (IPC) – Indian Council of Medical Research (ICMR, origin in 1911) – National Inst of Mental Health and Neurosciences (NIMHANS), Bengaluru → 🛒👤 Budget-2022: we'll launch National Tele Mental Health Programme under this organization.
Budget	– 🛒 Budget-2020 allotted <₹70,000 cr on health which is barely 0.3% of GDP. Even if we add union+state budgets = 1.6% of GDP. – 📊 ES22: presently Union+State spending total 2.1% of GDP on health. – National Health Policy 2017 aims to 📈 it to 2.5% of GDP by 2025. – WHO recommends minimum 5% of GDP be spent on public healthcare
CPSE	– (*)Hospital Services Consultancy Ltd. (HSCC) (*)HLL Lifecare
Intl Bodies	– UN Specialized Agency: World Health Organization (WHO) HQ: Geneva, Switzerland (1948) specialized agency of United Nations संयुक्त राष्ट्र की विशेष एजेंसी

(*) means approved for strategic disinvestment (=privatization) in 2019



61.1.3 🌐👨🏻‍🔬 World Health Organization (WHO: विश्व स्वास्थ्य संगठन)

- ⇒ at Geneva, Switzerland, 1948.
- ⇒ Its supreme decision making body known as **Health Assembly** (स्वास्थ्य सभा)
- ⇒ It consists of all member states. It elects the Director-General of WHO for a period of five year.
- ⇒ WHO's Health Assembly's decisions are implemented by the Executive Board (कार्यकारी बोर्ड).
- ⇒ 🤖 **WHO-Controversy?** Taiwan wants to be added as an observer in WHO. China hates this because China says 'Taiwan is a part of China. Taiwan is not a separate country.'

61.1.4 🇺🇸👋 USA President Trump exits WHO (2025-Jan)

- World health Organization has two funding sources (1) assessed contribution / compulsory annual membership fee (2) voluntary contributions.
- Trump exited WHO- giving 4 reasons (1) membership fee is very high for USA (2) WHO mismanaged Covid-19 (3) China controlling WHO (4) WHO pushing its own political agendas in USA (e.g sex-change/LGBT, abortion-rights, climate change, etc.)

61.1.5 🌐👨🏻‍🔬 WHO → Global Initiative on Digital Health (GIDH-2023)

- Mastermind? WHO + India during the G20 Health Ministerial Meeting in Gandhinagar, India on 19 August 2023.
- To help nations in digital health transformation

61.2 🌱👨🏻‍🔬 [YEARBOOK] AYUSH MINISTRY



- Ministry of Ayurveda, Yoga (Maharshi Patanjali) and Naturopathy, Unani (Arabs. Noted person



in India: Hakim Ajmal Khan freedom fighter), Siddha (by Tamil Siddhar Saints) and Homoeopathy (by a German Physician), abbreviated as AYUSH

- **2017: Sowa-Rigpa (Tibetan) medicine system** is latest to be added in the Ayush list. Later Govt setup its national research institute in Leh, Ladakh

Dept	N/A
Autonomous	- Morarji Desai National Institute of Yoga, Delhi - National Institutes for individual subjects of AYUSH: - o Ayurveda @Jaipur, Naturopathy @Pune (campus name “Nisarga gram”), Unani Medicine @Bangluru, Siddha @Chennai, Homoeopathy @Kolkata, Sowa Rigpa@ Leh - Central Councils for research in individual subjects of AYUSH - o Siddha@Chennai, other subjects’ @New Delhi
Statutory Bodies	Following bodies regulate the syllabus/practionners: - Central Council of Homoeopathy (CCH) 2020- It was replaced by National Commission for Homoeopathy (NCH). - Central Council for Indian Medicine (CCIM). 2020- It was replaced by National Commission for Indian System of Medicine. Common entrance and exit exam for Ayush practitioners etc. - 2020: Insti of Teaching & Research in Ayurveda (ITRA) at Jamnagar, Guj Drugs & Cosmetics Act, 1940- two statutory bodies related to Ayush 1. Ayurveda, Siddha, Unani Drugs Technical Advisory Board (ASUDTAB) 2. Ayurveda, Siddha, Unani Drugs Consultative Committee (ASUDCC),
Attached / Subordinate	- National Medicinal Plant Board - Pharmacopoeia Commission for Indian Medicine & Homoeopathy
CPSE [सरकारी कम्पनी]	Indian Medicine Pharmaceutical Corporation Ltd. - ownership- Union Govt@98.01% + Uttarakhand govt @1.99% - factory at Mohan , District Almora , Uttarakhand. - To mfg Ayurvedic and Unani medicines. - Approved for strategic disinvestment (=privatization) in 2019
E-Governance	- National AYUSH Morbidity and Standardized Terminologies Electronic(NAMASTE) Portal for illness/disease related database

61.2.1 → Ayush ☒ Some Orgs

System	Regulated under which law?
North Eastern Institute of Ayurveda and Homoeopathy	Mawdiangdiang , Shillong
North Eastern Institute of Folk Medicine	Pasighat , Arunachal Pradesh
India Institute of Ayurveda (AIIA) for MD / MS Ayurveda	New Delhi
Rashtriya Ayurveda Vidyapeeth (RAV)	New Delhi



National Institute of Naturopathy (NIN)	Pune
Morarji Desai National Institute of Yoga (MDNIY)	New Delhi
Pharmacopoeial Laboratory for Indian Medicine (PLIM)	Ghaziabad .
Homoeopathic Pharmacopoeial Laboratory	Ghaziabad
National Centre for Disease Control (NCDC)	Delhi

AB CD ? Match the following list (CDS2019-II-Q108.)

List I (Institute)	List II (Location)
A. National Institute of Ayurveda	1. Chennai
B. National Institute of Homeopathy	2. Bengaluru
C. National Institute Unani Medicine	3. Kolkata
D. National Institute of Siddha	4. Jaipur

Codes: A B C D: → (a) 1 2 3 4 (b) 1 3 2 4 (c) 4 3 2 1 (d) 4 2 3 1

61.2.2 AYUSH Regulation

System	Regulated under which law?
Ayurveda , Siddha , Unani, and Sowa - Rigpa ;	Indian Medicine Central Council Act , 1970 → Central Council of Indian Medicine (CCIM) , New Delhi
Homoeopathy	Homoeopathy Central Council Act , 1973 → Central Council of Homoeopathy (CCH) , New Delhi
Yoga and Naturopathy	There's no such governing body yet.

61.2.3 Ayush → Yoga

- Main books: (1) Charak Samhita (2) Sushruta Samhita developed around 2500 BC
- Panini, Sanskrit grammarian defined the word 'Yoga' in two ways : (1) 'Yujir' = 'Union' (2), 'yuja' = 'Samadhi' — the highest state of mind and the absolute knowledge .
- annual Intl. Day of Yoga on 21 June

AB CD !? MCQ. Match List I with List II: (CDS-2023-ii)

List I (International Yoga Day) : List II (Theme)

- A. 6th Edition : 1. Yoga for well-being
- B. 7th Edition : 2. Yoga for health- Yoga at home
- C. 8th Edition : 3. Yoga for Vasudhaiva Kutumbakam
- D. 9th Edition : 4. Yoga for Humanity

Code: (a) A-2, B-4, C-1, D-3 (b) A-2, B-1, C-4, D-3
(c) A-3, B-1, C-4, D-2 (d) A-3, B-4, C-1, D-2

61.2.4 Ayush → Unani system of medicine

- originated in Greece
- Contains fusion of traditional knowledge of ancient civilisations like Egypt , Arabia , Iran , China , Syria and India



- uses naturally occurring mostly herbal medicines, animals, marine and mineral products.
- Famous books: (1) Al - Qanoon by Sheikh Abu - Ali Sina (Avicenna) (980 - 1037 AD) (2) Al - Havi by Razi (850 - 923 AD)
- Unani Medicine came to India in the eighth century.

61.2.5 🌿 Ayush → Siddha system

Term	Meaning
Siddha	achievements
Siddhars	those who have achieved perfection in medicine
Thathuvass	96 tools or principles of Siddha system

- Developed ancient Tamils / Dravidians in South India which flourished during the Indus valley civilisation
- System developed around 10000 – 4000 BC .

Siddha literature focuses on diverse topics like science of life, drugs, kayakalpam, anatomy, physiology, pathology, diagnostic parameters, surgery, alchemy, astrology, atomic theory.

61.2.6 🌿 Ayush → Homoeopathy

- Founder: Dr . Christian Friedrich Samuel Hahnemann, a German physician
- 1810: European missionaries brought it into India
- 1948: Homoeopathy received official recognition by a Resolution passed by the Constituent Assembly in 1948
- work on principle of Similia Similibus Curentur-meaning a disease may be cured by something that can cause similar symptoms.

61.2.7 🌿 Ayush → Sowa-Rigpa

- Sowa-Rigpa: history of more than 2,500 years .
- Location: Himalayan regions, Leh and Ladakh (J & K), Himachal Pradesh, Arunachal Pradesh, Sikkim, Darjeeling, etc .
- It's effective in managing chronic diseases like asthma, bronchitis, arthritis, etc .
- emphasises on five cosmological physical elements

61.3 HEALTH RELATED NOTABLE POLICIES

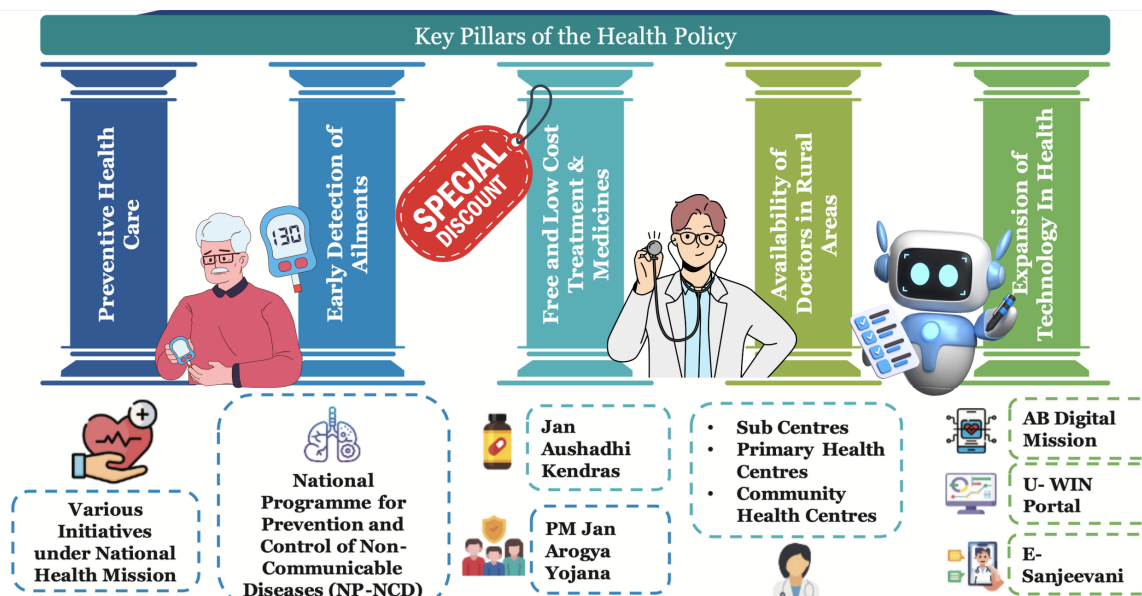
61.3.1 🌿 🏠:👤 → National Health Policy 2017 (राष्ट्रीय स्वास्थ्य नीति)

- 📈 public health expenditure to 2.5% of the GDP.
- Transform primary health care into Health and Wellness Centres.
- Proposed to setup National Digital Health Authority (NDHA) / National eHealth Authority (NeHA) to encourage telemedicine, remote evaluation of Xray, CT scan etc.
- 📈 Generic Drugs, Cheap Medical Devices, Make In India, Alternative Medicinal System (=AYUSH)
- **HIV/AIDS: Achieve global target of 2020** (also termed as target of 90:90:90). Further



- HIV Prevention Act 2017: end AIDS by 2030 & prevent discrimination against HIV +ve persons. [एड्स पीड़ित के साथ भेदभाव न हो, इसके लिए कानून।]
- 1st December observed as World AIDS Day. [विश्व एड्स दिवस]
- National AIDS Control Organisation (NACO) is nodal body.
- Eliminate / ↓ various non-communicable diseases in time bound manner.

61.3.2 5 pillars of Health Policy as per ES25:



61.3.3 🧴👤: → National Policy for Rare Diseases-2021 विरल/असाधारण रोगों के लिए राष्ट्रीय नीति

- ⇒ e.g. Spinal Muscular Atrophy, Lysosomal Storage Disorders, Cystic Fibrosis, etc.
- ⇒ Policy classifies rare diseases into 3 groups.
- ⇒ Upto ₹50 lakh financial support through Rashtriya Arogya Nidhi.
- ⇒ Govt will also encourage donation / crowdfunding.
- ⇒ Indian Council of Medical Research (ICMR) to create a database of rare diseases like Hemophilia, Thalassemia, Sickle cell anemia, Lysosomal storage disorders etc.
- ⇒ Has portal for crowd funding and voluntary donations

61.4 💊💰👤 → CHEAP MEDICINE → NPPA PRICE CONTROL

- 1997: National Pharmaceutical Pricing Authority (NPPA: राष्ट्रीय औषधि मूल्य निर्धारण प्राधिकरण) setup as an attached office under Dept of Pharmaceuticals under Ministry of Chemicals & Fertilizers.
- NPPA derives power from Essential Commodities Act, 1955 → Drugs Prices Control Order (DPCO), 1995 & 2013. → NPPA monitors availability & prices of drugs. It enforces price ceilings on 800+ essential medicines.
- 📱 **Pharma Sahi Daam:** NPPA's app & portal. Customer can check drug prices before buying.
- 📱 **Pharma Jan Samadhan:** NPPA's webportal where consumers can file complaint about drug pricing and availability. (महंगी दवाई और दवाइयों की अनुपलब्धता के खिलाफ शिकायत)



- A **coronary stent** is a tube-shaped device placed in the arteries that supplies blood to heart. Stent keeps the arteries open for coronary heart patients.
- 2017: NPPA enforced price ceilings on Stent to stop profiteering by the companies and hospitals.

61.5 → CHEAP MEDICINE → PM BHARTIYA JANAUSHADI PARIYOJANA

- **Boss?** Ministry of Chemicals and Fertilizers → Bureau of Pharma PSUs of India (BPPI is an autonomous body of all Pharma-PSUs under this department. BPPI is registered under Societies Registration Act, 1860) [रसायन और उर्वरक मंत्रालय]
- NGO / individual applies to open a Jan Aushadhi Stores (JASs) to sell generic medicines** at affordable prices to all. BPPI supplies the generic drugs to such stores.
- Such stores are opened at district hospitals and other public places.
-  Budget-2020: we'll expand Jan Aushadhi Kendra in all districts by 2024.
- Jan Aushadhi Diwas / Generic medicine day is celebrated on **7th March every year.**

Table 1: Related Terminologies

Generic Drug	After a branded drug patent expires (or Govt gives Compulsory License), other companies can manufacture the same formula. Such non-proprietary drug are called 'Generic' Drugs. [पेटेंट अवधि खत्म होने पर कोई भी कम्पनी उस दवा को बना सकती है]
Fixed Dose Combinations	It's a cocktail / mixture of two or more drugs. Govt banned many FDCs because they're unsafe / multiple side effects. E.g. Corex, Saridon, D'Cold, Vicks Action 500.

MCQ. Find correct statements about Bureau of Pharma PSUs of India (BPPI) [CDS-2019-i]

1. It is the implementing agency of Pradhan Mantri Bhartiya Janaushadhi Pariyojana.
2. It has registered as an independent society under the Societies Registration Act, 1860.

Codes: a) 1 only b) 2 only c) Both 1 and 2 d) Neither 1 nor 2

61.6 → FREE MEDICINE → FREE DRUGS SERVICE INITIATIVE (FDSI, 2015)

- Under National Health Mission (NHM), by Ministry of Health.
- Union gives ₹ ₹ to states/UTs for giving free medicines to patients in the sarkari hospitals/primary healthcare Centre (PHCs).

61.7 → NATIONAL HEALTH MISSION (2005: राष्ट्रीय स्वास्थ्य मिशन)

Boss? Ministry of Health and Family Welfare. **Core Scheme** (Not 100% funded by Union)

1. ↓ MMR to 1/1 lakh live births; IMR to 25/1000 live births.
2. ↓ Total Fertility Rate to 2.1. Reduce ↓ Anaemia in women (15–49 years) [महिलाओं में रक्त अल्पता]
3. ↓ Household expenditure on healthcare. Focus on Tuberculosis, Leprosy, Malaria etc.
4. Eliminate Kala-azar by 2015. (WHO says not achieved fully yet)
5. The Mission has two sub missions viz.



- National Urban Health Mission (2013: राष्ट्रीय शहरी स्वास्थ्य मिशन) → to reduce urban poor's healthcare expenditure. ~~Although nothing MCQ-worthy.~~
- National Rural Health Mission (2005: राष्ट्रीय ग्रामीण स्वास्थ्य मिशन)

61.8 → MOTHER & CHILD HEALTHCARE (👩👶)



SDG Goal#3 requires- मातृ मृत्युदर और बाल मृत्युदर में कमी करना

- India's Maternal Mortality Ratio (MMR per 1 lakh live births): 130 → reduce to 70.
- India's Under-5 Child Mortality Rate (per 1000 live birth): 50 → reduce to 11.

61.8.1 👩👶👶 → Integrated Child Development Services (ICDS-1975)

- समन्वित बाल विकास योजना **Boss?** Ministry of Women and Child Development.
- Centrally sponsored scheme → Core Scheme (60:40, 90:10)
- **Who?** Children 0-6 years, Pregnant women and Lactating mothers. ICDS is an 'Umbrella Scheme', its components include:
 - Anganwadi Services Scheme
 - Pradhan Mantri Matru Vandana Yojana (₹ 5k for child birth)
 - SABLA: Scheme for Adolescent Girls (11-18 years)
 - POSHAN Abhiyan
 - National Creche Scheme: to setup Creches for working women.
 - Child Protection Scheme: for children in difficult circumstances.

- 🧐 **Benefits?** ↓ IMR, MMR & Anaemia, Immunization, Health check-up, Pre-school edu

MCQ. The beneficiaries under ICDS Scheme are children in the age group of: (EPFO-2023)

- (a) 0-6 years (b) 0-3 years. (c) 3-6 years (d) 6-15 years.

61.9 → MOTHERS HEALTH (👩👶)

Boss? Health Min's National Health Mission's notable schemes for mother & child:

- ✓ Accredited social health activists (**ASHA workers**) to provide Reproductive, Maternal, Newborn, Child and Health and Adolescent (RMNCH+A) services.
- ✓ 🧴 **Interim-Budget-2024:** All ASHA workers, Anganwadi Workers and Helpers will be eligible for PM-JAY (₹ 5 lakh health-insurance) under Ayushman Bharat . (Ref: Pillar#1D for more)

61.9.1 👩👶👶 → Mothers health: Janani Suraksha Yojana (JSY):

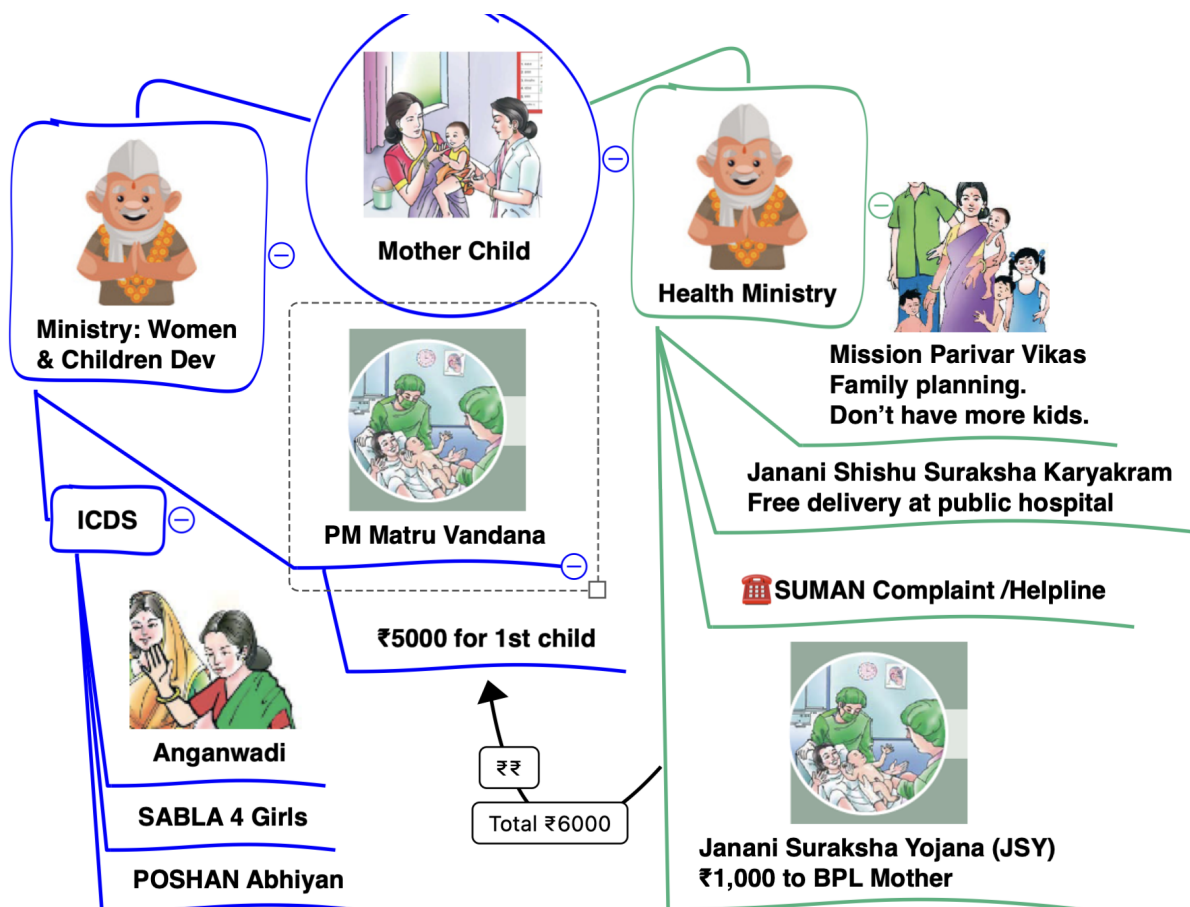
- Janani Suraksha Yojana (JSY) is scheme under the National Health Mission.
- The objective is to reduce maternal (=mother's) mortality and neonatal (=newborn baby's) mortality by promoting institutional delivery among poor pregnant women.
- BPL women (irrespective of age or number of children) is given conditional cash transfer for delivering child @hospital. The amount depends on whether it is a rural area or urban area



- Low Performing States (LPS) = Uttar Pradesh, Uttarakhand, Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh, Assam, Rajasthan, Orissa, and (UT of) Jammu and Kashmir
- High Performing states (HPS) = those not in LPS List.

Area	Poor mother gets ₹ __ _ for delivering baby at hospital
LPS-Urban	₹1000
LPS-Rural	₹1400
HPS-Urban	₹600
HPS-Rural	₹700

ASHA worker given bonus of ₹400–600 per beneficiary mother, depending on the area.



MCQ. How many statements correct for Janani Suraksha Yojna? [Pre23-SET-A-Q051]

1. It is safe motherhood intervention of the State Health Departments.
 2. Its objective is to reduce maternal and neonatal mortality among poor pregnant women.
 3. It aims to promote institutional delivery among poor pregnant women.
 4. Its objective includes providing public health facilities to sick infants up to one year of age.
- Codes: (a) Only one (b) Only two. (c) Only three. (d) All four

MCQ. 'Janani Suraksha Yojana' Program aims to: (UPSC-Pre-2012)

1. to promote institutional deliveries



2. to provide monetary assistance to the mother to meet the cost of delivery.
3. to provide for wage loss due to pregnancy and confinement

Codes: (a) 1 and 2 only (b) 2 only (c) 3 only (d) 1, 2 and 3

61.9.2 🧑🧒👶 → mothers health: Janani Shishu Suraksha Karyakram (JSSK):

- Free normal / caesarean deliveries @public hospitals. मुफ्त में प्रसव
- Free food, medicines, free transport from home to hospital by dialling 102.
- also covers sick infants up to 1 year of age.

61.9.3 🧑🧒👶 → mothers health: other notable schemes

- ✓ **Surakshit Matritva Aashwasan (Suman-2019):** if pregnant women visits a govt hospital but denied any of the scheme/services or her dignity is not respected then complaint can be registered through SUMAN helpline/sms/web portal & govt will adopt ZERO tolerance to the culprit doctor/nurse/wardboy. Result? 📉IMR,MMR, 📈Positive birthing experience। सरकारी अस्पताल में गर्भवती महिला को अच्छी सेवा न मिली तो शिकायत
- ✓ **Pradhan Mantri Surakshit Matritva Abhiyaan (2016):** all pregnant women given free medical checkup, iron folic acid (IFA), calcium tablets etc. on 9th of every month. This scheme is for 'Antenatal Period' = before the delivery. Private doctors also encouraged to 'volunteer' for this campaign (in other words, Government will not pay them ₹ ₹)
- ✓ **Laqshya- Labor Room Quality Improvement Initiative (2017):** to ensure public hospital delivery room is sterilized & has necessary medicines/equipment to deal with delivery related complications / emergencies. (Side Note: Swatchha Bharat Mission's sub-component 'Kayakalp' aims for cleanliness in Public hospitals)
- ✓ **Mother's Absolute Affection (MAA 2016):** Awareness generation to encourage mothers to **breastfeed babies**. Because exclusive breastfeeding for the first six months is essential to improve child health & immunity. [स्तनपान को प्रोत्साहन देना]
- ✓ **Mission Parivar Vikas (2016):** Uttar Pradesh, Bihar, Rajasthan, Madhya Pradesh, Chhattisgarh, Jharkhand and Assam constitute 44% of the country's population because of their high TFR. So this mission aims for:
 - a. Encourage family planning in these states. परिवार नियोजन / नसबंदी
 - b. new FREE contraceptives in Govt hospitals:
 - i. 'Chhaya' contraceptive pill (गर्भनिरोधक गोली) which has to be taken only once in a week. Chemical name: **Centchroman**, it's a non-hormonal pill.
 - ii. 'Antara' injectable hormonal contraceptive which has to be taken once in three months.
 - c. All India TFR = 2.2 (2016) → Reduce it to 2.1 (2025) कुल प्रजनन दर में कमी

MCQ. find correct for 'Pradhan Mantri Surakshit Matritva Abhiyan' (IAS-2024)



1. This scheme guarantees a minimum package of antenatal care services to women in their second and third trimesters of pregnancy and six months post-delivery health care service in any government health facility.
2. Under this scheme, private sector health care providers of certain specialities can volunteer to provide services at nearby government health facilities.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

Note: This scheme launched in 2016, MCQ asked in 2024. So those complaint about lengthy handout / too many schemes- kindly request UPSC examiner not to ask it!

61.9.4 🧑🍼👶 → PM Matru Vandana Yojana (₹ 5k for 1st child. + 2nd pe bhi if girl)



Manmohan launched Indira Gandhi Matritva Sahyog → Modi renamed as Matritva Sahyog Yojana (2014) → again renamed Pradhan Mantri Matru Vandana Yojana (2017)

- Boss? Ministry of Women and Child Development
- Core Scheme (Not 100% funded by Union). 60:40, 90:10

PM Matru Vandana Installment किस्त#1 →	₹1k
PM Matru Vandana Installment #2 →	₹2k
PM Matru Vandana Installment #3 →	₹2k
Janani Suraksha Yojana (JSY) ONLY IF BPL women →	₹1k
Total amount (₹)	₹6k**

**National Food Security Act (NFSA 2013) requires Govt to provide ₹ 6,000 to pregnant and lactating mother. So, Govt has created this contrived arrangement of ₹ 6,000.

- This ₹ ₹ helps poor woman to get adequate rest before and after delivery, without worrying about wage loss → Child can receive adequate breastfeeding.
 - This ₹ ₹ is conditionally transferred in bank account, as woman goes for medical checkup, child vaccination etc. so it helps reducing MMR, IMR.
1. Women in Government jobs or PSUs jobs **not eligible**. (सरकारी नौकरी करने वाली महिलाओं को लाभ नहीं)
 2. Women less than age 19 **not eligible**. (19 साल से कम आयु की महिला को लाभ नहीं मिलेगा)
 3. By Default, scheme to cover only one child. However, ₹5000 given for **second child also** if the child is a girl child.

61.9.5 🧑🍼 Paalan 1000 - Journey of the First 1000 Days',

⇒ Health Ministry's campaign and app

⇒ To guide parents with practical advice on how to improve child's physical, mental, emotional, cognitive and social health for the 1st two years of a child's life.

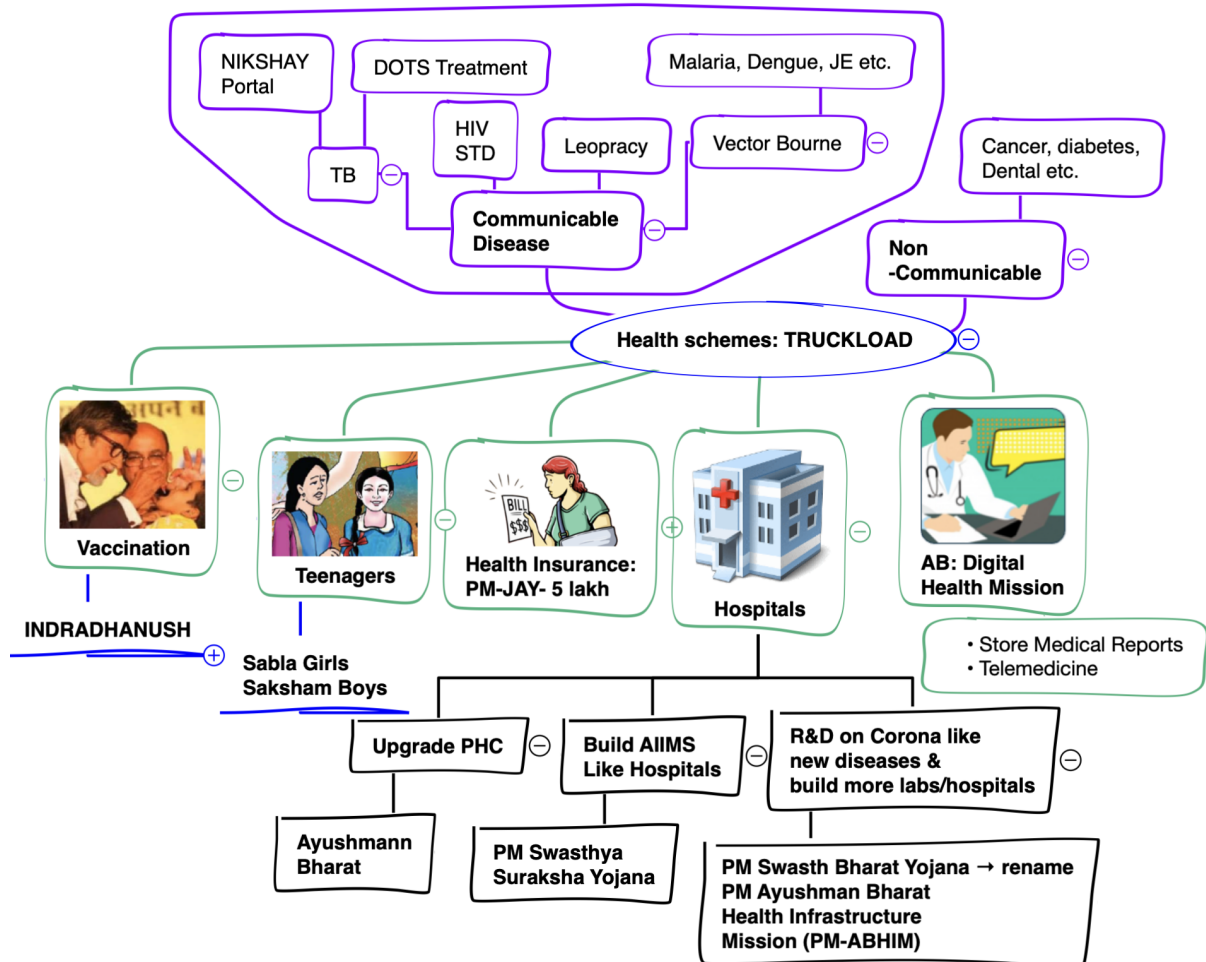


61.9.6 📞 Kilkari audio training msg

- Kilkari means 'a baby's sound'. Scheme to deliver free, weekly, 72 audio messages about pregnancy, child birth and child care directly on mobile phones of mothers

61.9.7 📞 ANMOL Tablet App for health workers

- ANM on Line (ANMOL) is a tablet-based application (app) by Health Ministry.
- helps the health workers in day-to-day work efficiently e.g. registration of beneficiaries.



61.10 🧑👶📄 → VACCINATION (टीकाकरण)

Boss? Health Ministry 100% funding, plus support from WHO, UNICEF

⇒ 1985: Universal Immunization Programme (सार्वलिक टीकाकरण कार्यक्रम)

- ✓ to give free vaccines for-
- ✓ BCG vaccine for TB & tubercular meningitis.
- ✓ Oral Polio Vaccine → WHO declared India 'Polio Free' in 2014.
- ✓ Rotavirus vaccine for Diarrhoea (दस्त), Japanese Encephalitis (in selected areas only)
- ✓ Measles-rubella Vaccine (MR)
- ✓ Vaccine for Diphtheria, Tetanus, Pertussis (Whooping cough), Influenza Type B and Hepatitis B. Although by 2014, UIP had covered only 65% of children. So,



61.10.1 🧑👶💉 → Vaccination → Mission Indradhanush by Modi (2014)

- To immunization 100% children (Below 2 years) against atleast 7 (=number of rainbow colors) diseases viz. diphtheria, whooping cough, tetanus (धनुस्तंभ), polio, tuberculosis, measles and hepatitis B.
- In the subsequent years even more vaccines for (a) Inactivated Polio Vaccine (IPV) (b) Rotavirus Vaccine (for diarrhoea) (c) Rubella Vaccine and Measles Rubella (MR) (d) Japanese Encephalitis vaccine- normally given to children. But in states with more disease frequency - this is given to Adults as well (e.g. Assam, UP and W.Bengal) (e) Pneumococcal Conjugate Vaccine (PCV) (f) Tetanus and Adult Diphtheria (Td) Vaccine.
- Pregnant women also given vaccines for selected disease. [गर्भवती महिलाओं के लिए भी]
- **2017:** Modi launches **Intensified Mission Indradhanush (IMI)** to cover atleast 90% children below age of 2 and all pregnant women by 2018 December.
- **e-VIN (Electronic Vaccine Network):** United Nations Development Programme (UNDP) gave ₹ ₹ & tech to India for online monitoring of vaccine stocks. Health ministry runs it.
- 🏥 **Interim-Budget-2024:** Cervical cancer vaccination for girls in age 9 to 14 years. Most cervical cancers are associated with the Human Papilloma Virus (HPV).

61.10.2 🧑👶💉🔍 Intensified Mission Indradhanush (IMI) 3.0 (2021) & 4.0 (2022-23)

लॉकडाउन के चलते जिन बच्चों-महिलाओं का पोलियो, धनुस्तंभ इत्यादि टीकाकरण न हो पाया उनका टीकाकरण करेंगे

- ✓ focus on Children and pregnant women who have missed their (non-corona) vaccine doses during the corona pandemic/lockdown
- ✓ Focus on migrants & remote area/ hard to reach areas । प्रवासी मजदूर-परिवार, दुर्गम प्रदेश पे ध्यान
- ✓ Health ministry to use staggered approach = instead of inviting everyone at the same time, 10-10 beneficiaries will be invited. This will reduce crowding in Corona.

AB CD !? MCQ. Which one of the following statements about Mission Indradhanush, launched by the Government of India in 2014, is correct? (CDS-2023-ii)

- (a) It relates to provisions for Child Health Screening and Early Intervention Services.
- (b) It meets the diverse health needs of adolescents.
- (c) It aims to increase the full immunisation coverage for children.
- (d) Its objective is to achieve universal access to equitable, affordable, and quality healthcare services.

61.10.3 🧑👶💉 Fully immunized child - criteria / definition

A child who has received all of the following vaccines by his first birthday:

1. - Bacille Calmette Guerin (BCG) vaccines.
2. - Oral Polio Vaccine (OPV)
3. - Pentavalent Vaccine- against five diseases: Diphtheria, Tetanus, Pertussis (DPT), Hepatitis B, and Haemophilus influenzae type B (Hib).
4. - Measles Rubella Vaccine.

93% children are fully immunised (2023-24)



61.11 🧑🏫🧑🏫 → ADOLESCENT BOYS AND GIRLS (किशोर)



Table 2: पुरानी योजनाएँ, ज्यादा नींद खोने की जरूरत नहीं है

Women & Child Ministry	– SAKSHAM: for Adolescent Boys aged 11-18. similar objectives like SABLA. – SABLA: Rajiv-Gandhi-Scheme for Empowerment of Adolescent Girls aged 11-18. To promote awareness about health, hygiene, nutrition, adolescent reproductive and sexual health (ARSH), Iron-Folic Acid (IFA) supplementation, home management, vocational skill training. – Kishori Health Cards for Adolescent Girls (aged 11-18) containing info about weight, height, Body Mass Index (BMI) etc
Health Ministry	– Rashtriya Kishor Swasthya Karyakram: Boys aged 10-19. objectives like above. – Rashtriya Bal Swasthya Karyakram (RBSK): Children aged 0-6. For early identification of defects at birth, deficiencies, Diseases, Development delays including disability. Free medical checkup for children in 6-18 age group once a year in Government schools.

61.11.1 Saksham Anganwadis in 🧑🏫🧑🏫 Budget-2022

- ⇒ ICDS → Anganwadi center provides services such as 1) family planning advice 2) nutrition / free food for mother and infants 3) pre-school activities for small children.
- ⇒ We'll setup a new generation of Anganwadis with better infrastructure and audio-visual aids, clean energy. Two lakh anganwadis will be upgraded under the Scheme.

61.12 🧑🏫🧑🏫 → AYUSHMAN BHARAT & PMJAY ₹ 5 LAKH INSURANCE

Budget 2018: Ayushman Bharat National Health Protection Mission (AB-NHPM). Core Scheme: NOT 100% funded by Union. It has following components:

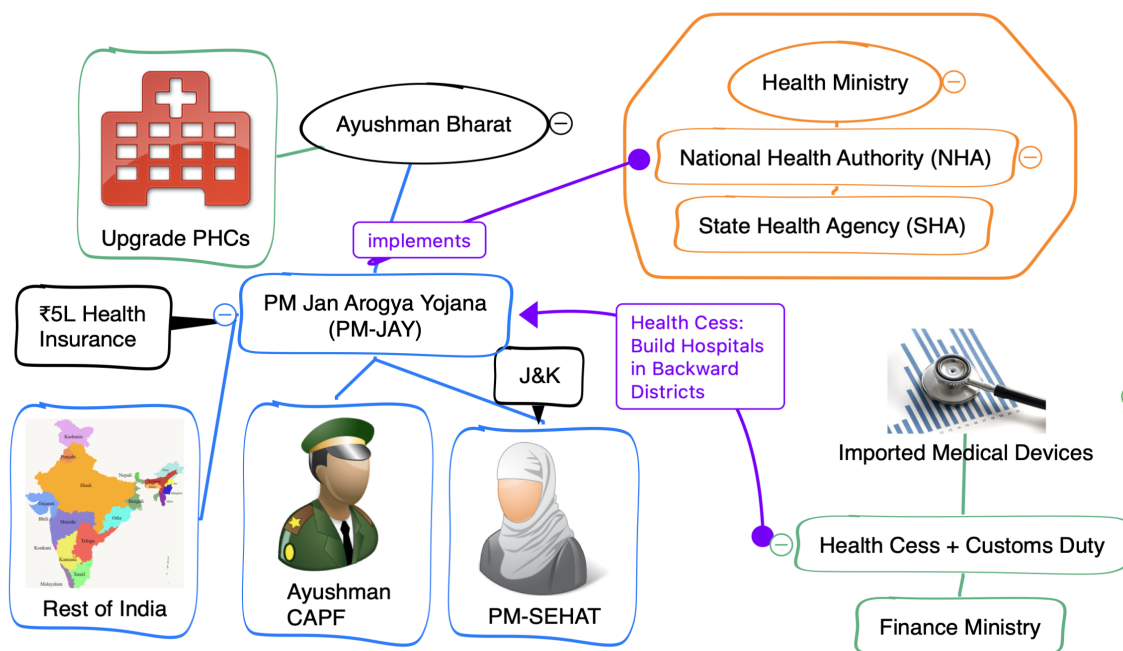
61.12.1 🧑🏫🧑🏫 Ayushman Bharat : Centres upgrade

Primary Health Care Centers (PHC) to be transformed into Health & Wellness Centres / Ayushman Arogya Mandirs (AAM) with following services:

- Free drugs, checkup, mother-child care, family planning.
- Non-Communicable Diseases e.g. hypertension, diabetes and three common cancers [oral, breast and cervix]
- Communicable diseases e.g. Malaria, Measles, Chickenpox etc.
- Basic services for mental health, Ear, Nose, and Throat (ENT), ophthalmology, oral health,
- Geriatric care (for elderly / senior citizen etc.)
- Palliative care (for long-term disease HIV/AIDS, cancer, etc.)



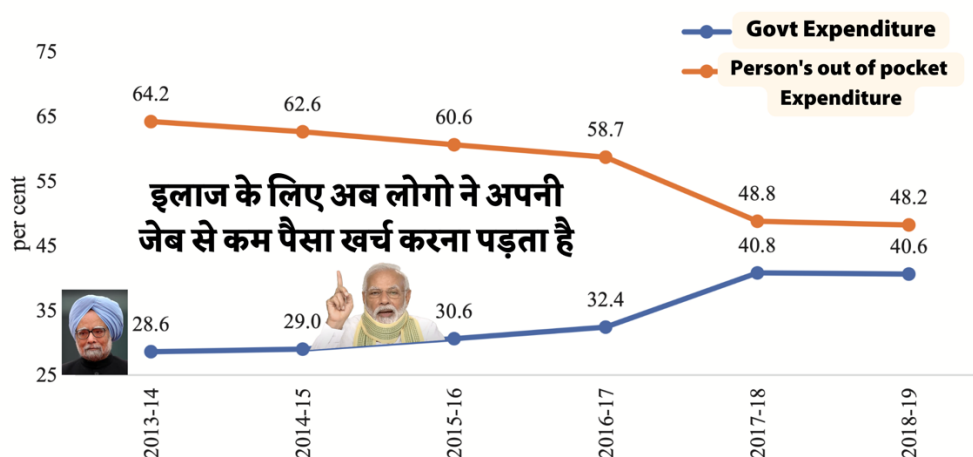
- Yoga, wellness and healthy lifestyle (e.g. exercise, marathon, anti-tobacco drive, laughter clubs, open gym etc.)



61.12.2 🍌🍌🍌 Ayushman Bharat : Rs. 5 lakh Health insurance

National Health Protection Scheme (AB-NHPS) → Later renamed 'Pradhan Mantri Jan Arogya Yojana (PMJAY)' to give free Health Insurance of ₹ 5 lakh per poor family, per year. also includes

- This health cover includes 3 days of pre - hospitalisation and 15 days of post - hospitalisation expenses . (More about its benefits & challenges refer to 📄 Pillar#1D)



📖 ES23: 22cr people enrolled in PM-JAY (as of 2023-Jan). Scheme saved lot of money for the poor.

61.12.3 🍌 Ayushman Bhav campaign (2023)

Awareness and enrolment drive for Ayushman health insurance cards, generate ABHA Digital id, raise awareness about govt health schemes, tuberculosis, and sickle cell disease etc. via 3 pillars

1. Ayushman - Apke Dwar 3.0 (door to door registration of beneficiary)
2. Ayushman Melas at Community health centres (CHCs)



3. Ayushman Sabhas in every village and panchayat

Duration: during the 'Seva Pakhwada' from September 17th to October 2nd, 2023 (Gandhi-Jayanti)

61.12.4 🍌 Health Cess to build hospitals-2020

- ⇒ 📁 Budget-2020: Introduced 5% Health Cess (स्वास्थ्य उपकर) on the customs duty on imported medical devices (आयातित चिकित्सा उपकरण).
- ⇒ This Cess ₹₹ will be used for building (Ayushman Bharat) hospitals in PPP mode,
- ⇒ In Aspirational Districts (आकांशी-जिले=backward districts identified by NITI Aayog.)
- ⇒ So the PM-JAY patients in those backward district, can actually get medical treatment.

61.12.5 🍌 Pradhan Mantri Swasthya Suraksha Nidhi (PMSSN) 2021-March

उपकर का पैसा इस फंड में डालेंगे और विविध स्वास्थ्य योजनाएं चलाएंगे

- ✓ Govt levies 4% Health & Education Cess on direct taxes such as income tax & corporation tax. (What is Cess? Ref: Pillar#2A) प्रत्यक्ष करों पर स्वास्थ्य व शिक्षा उपकर
- ✓ 2021-March: govt created a new "Non-Lapsable" fund under Public Account. (What is "Non-Lapsable fund? Ref: Pillar#2D). लोक लेखा में एक गैर-व्यपगत निधि बनायी जाएगी
- ✓ This fund will receive ₹ ₹ from above cess. Health ministry will use this money for
- ✓ 1) Ayushmann Bharat & its sub schemes like PM-JAY (5L-Health insurance),
- ✓ 2) **Pradhan Mantri Swasthya Suraksha Yojana** (setting up AIIMS-like institutions in every state & upgrading government medical colleges).
- ✓ 3) National Health Mission (NHM) राष्ट्रीय स्वास्थ्य मिशन
- ✓ 4) Health emergencies like Corona स्वास्थ्य आपदाएँ

AB CD !? MCQ. Which of the following is/are the objective/objectives of the Pradhan Mantri Swasthya Suraksha Yojana (PMSSY)? (CDS-2023-i)

1. Correcting regional imbalances in the availability of tertiary health care services
2. Providing universal access to public health services and universal immunization
3. Augmenting facilities for quality medical education in the country

Codes: (a) 1 and 3 only (b) 2 and 3 only (c) 1 only (d) 1, 2 and 3

61.12.6 🍌 15th FC: Sector Specific Grants (क्षेत्र-विशिष्ट अनुदान)-Health

Note: this I've already taught in Pillar2B

(More in 📁 Pillar#2B)	Report#2: (2021-26)	Amount
Local Bodies Grant पंचायती राज/नगरपालिकाओं को प्राथमिक स्वास्थ्य केंद्र को स्वास्थ्य और कल्याण केंद्र में परिवर्तित करने के लिए ट्रक भर के पैसा	(Rural and urban) Local Bodies given ₹ ₹ to convert Primary Health centres (PHC) into health and wellness centres (HWCs)	70kcr
Sectoral Grant → Health	Critical Care hospitals i.e. facilities	15kcr



(More in Pillar#2B)	Report#2: (2021-26)	Amount
नाजुक देखभाल के अस्पतालों को बनाने के लिए पैसा	with Intensive Care Unit (ICU) ventilator, kidney dialysis etc.	
Sectoral Grant → Health चिकित्सा संलग्न मानव बल की तालीम के लिए पैसे	Training of Allied Healthcare workforce (lab technicians, radiographers, dietitians, Physiotherapist, ASHA Worker etc)	13kcr
Sectoral Grant → Health जिले के अस्पतालों में डॉक्टरों की तालीम के कोर्स करवाने के लिए पैसा	State government to run Doctor training courses in district hospital	2kcr
कुल मिलाकर	Total:	1.06 Lcr = approx. 10% of total grants to Healthcare sector **

** Grants to Healthcare sector are unconditional i.e. not based on performance of State Govt.

Additional Recommendations by 15th FC on Healthcare

- ⇒ Union and State Government together should spend 2.5% of GDP on Healthcare sector by 2025. (केंद्र और राज्य सरकार ने मिलकर स्वास्थ्य क्षेत्र में सार्वजनिक खर्च को बढ़ाकर जीडीपी के ढाई प्रतिशत तक करना चाहिए)
- ⇒ All-India Services Act, 1951: (presently we've IAS, IPS, Indian Forest Service) → make 4th All India service: "All India Medical and Health Service" → UPSC to conduct recruitment. This will help addressing the shortage of doctor in backward states. आईएस/आईपीएस की तर्ज पर एक और अखिल भारतीय सेवा बनाई जाए "अखिल भारतीय चिकित्सा एवं स्वास्थ्य सेवा" ताकि पिछड़े राज्यों में डॉक्टरों की कमी को पूरा किया जा सके
- ⇒ Most of the medical colleges and super-speciality hospitals (e.g. Cancer) are concentrated in the Western and Southern parts of India. Union and State government should make efforts to address this. (पश्चिमी/दक्षिणी राज्यों के अलावा वाले विस्तार में भी अच्छी मेडिकल कॉलेज/अस्पताल बनाने पर जोर दिया जाए)

MCQ. Which recommended that the public health expenditure of the Union and States together should be increased to reach 2.5 percent of GDP by the year 2025? (EPFO-2023)

- (a) The National Commission on Macroeconomics and Health, 2005
- (b) The Parliamentary Standing Committee on Health, 2022
- (c) The Fifteenth Finance Commission (d) The Kasturirangan Committee

61.13 → **NATIONAL HEALTH MISSION** → COMM/NON-COMM DISEASES

Poor cost benefit in chasing these schemes but **DO self-study** the biology / medical angle about TB, Malaria, HIV, Swine flu, Ebola, Nipah, Zika, CORONA etc.

Communicable Diseases (संचारी)	Non-Communicable Diseases: गैर - संचारी
⇒ National Vector (रोगवाहक) Borne Disease Control Programme → Malaria, Dengue, Filariasis, Kala-azar, Japanese Encephalitis,	➤ Mental Health Programme (NMHP) ➤ National Programme for Prevention and control of cancer, diabetes, cardiovascular



🧑🏻:🧑🏻 Communicable Diseases (संचारी)	🦷❤️ Non-Communicable Diseases: गैर - संचारी
Chikungunya. ⇒ Mosquito Prevention strategies: Indoor Residual Spraying (IRS), Long Lasting Insecticidal Nets, use of larvivorous fish, bio-larvicides etc. ⇒ Leprosy (कुष्ठ रोग) Eradication ⇒ HIV/STD program ⇒ Integrated Disease Surveillance Programme (IDSP) for Swine flu, Ebola, Nipah, Zika, CORONA (COVID-19) etc. ⇒ TB elimination target by 2025 <next part>	diseases, and stroke (NPCDCS). ➤ Programs for Blindness, Tobacco control. ➤ Fluorosis: Desirable limit for fluoride in drinking water is 1.0-1.5 mg / litre. - Fluorosis is a crippling disease is caused by excess intake of fluoride from drinking water. - Fluorosis prevention is also a goal in Anemia Mukh Bharat. ➤ senior citizens (=Geriatric diseases). ➤ eDantSeva portal for oral/teeth healthcare awareness.

61.13.1 🚫 COTPA Act, 2003

It is a law to display large health warning covering 85% of the Cigarettes & Tobacco Products

61.13.2 🧡🧡 HIV: Global Fund to fight AIDS, tuberculosis and malaria (2002)

- Also called just “Global Fund”, HQ: Geneva, Switzerland
- With help of United Nations, Bill & Melinda Gates Foundation etc.

61.13.3 🧡🧡🧡 HIV: 3-in-1 TLD pill for HIV & global fund (2023)

- three-in-one pill contains drugs (1) tenofovir disoproxil fumarate, (2) lamivudine and (3) dolutegravir (also called “TLD” drug)
- WHO recommended this pill as preferred first-line HIV treatment for adults and adolescents, since it rapidly suppresses the virus that causes AIDS, has fewer side effects and is easy to take.
- Global Fund to fight AIDS, tuberculosis and malaria → aims to sell TLD drug for below-\$45 per person per year.

61.13.4 🧡 PRADHAN MANTRI TB MUKT BHARAT ABHIYAN

- ⇒ (DATA) India has a little less than 20 percent of the world's population, but has more than 25 percent of the total TB patients of the world.
 - ⇒ Health Ministry is running National Tuberculosis Elimination Programme (NTEP) → Directly Observed Treatment Short course strategy (DOTS) to eliminate TB by 2025.
 - ⇒ Financial assistance of ₹ 500 per month given to all TB patients in the country .
 - ⇒ 2022: Health Ministry launches PRADHAN MANTRI TB MUKT BHARAT ABHIYAN
 - ⇒ Individual persons / organizations can adopt TB Patients via 📱 NIKSHAY webportal by donating money for patient's food, vocational training for his/her family members.
 - ⇒ Such donors will be called Nikshay Mitras.
 - ⇒ This exercise will reduce govt's fiscal burden, reduce stigma around TB by community support.
- (सेवाभावी व्यक्ति और संस्थानों द्वारा टीबी के मरीज़ को गोद लिया जाए, मरीज़ के पोषण तथा उसके परिजनो की कौशल तालीम के लिए दान में पैसा दो योजना। सरकार पर राजकोषीय बोझ कम होगा, समाज में भी टीबी के मरीज़ों के प्रति घृणा/लांछन की भावना कम होगी।)



61.13.5 🦟 SAANS Initiative for Pneumonia (2019)

- Social Awareness and Actions to Neutralize Pneumonia Successfully (SAANS) to reduce deaths due to childhood pneumonia.

61.13.6 🦟🦟🦟 Communicable Diseases: Malaria free country:

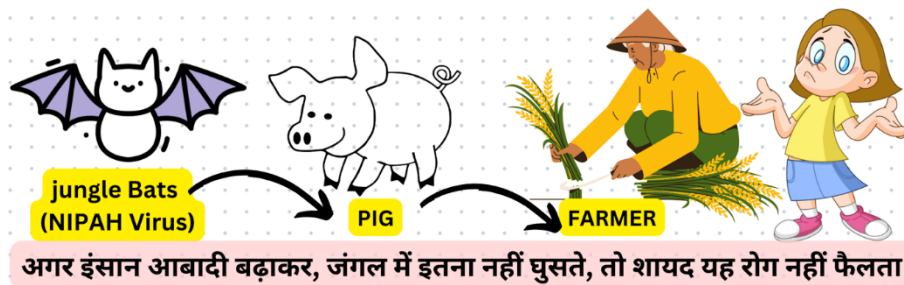
यदि तीन वर्षों तक सतत रूप से आपके देश में मलेरिया के कोई भी स्थानीय/आंतरिक मामले नहीं दिखते, तो विश्व स्वास्थ्य संगठन द्वारा आपके देश को “मलेरिया मुक्त” घोषित किया जाता है। २०२१ में चीन ने उपलब्धि हासिल की है।

⇒ WHO aims to eliminate Malaria from world by 2030. IF a Country has 0% local cases of Malaria in 3 consecutive years =can apply for WHO certification of malaria-free status.

⇒ Examples: Australia, Brunei and Singapore, Algeria, Argentina, El Salvador (2021), China (2021)

⇒ 📖📖 ES22: while malaria not yet eliminated in India but we've eliminated polio, guinea worm disease, yaws, maternal tetanus and neonatal tetanus. (भारत ने इन बीमारीयों को खत्म किया)

61.13.7 🌳🦇🐷👨🌾👧 Communicable Diseases: “One Health” approach



पर्यावरण का स्वास्थ्य, जानवरों का स्वास्थ्य, मनुष्यों का स्वास्थ्य ये तीनों आपस में जुड़े हुए हैं और एक दूसरे को असर करते हैं- इसलिए तीनों की समस्याओं को एकीकृत रूप से संबोधित करना ज़रूरी- इस रुख/अभिगम/दृष्टिकोण को “एक स्वास्थ्य” दृष्टिकोण कहते हैं

⇒ One Health = An approach recognizes that animal health, human health and the environment's health are interconnected. Esp. for **Zoonotic diseases** (= spread from animal to human. [खासकर ऐसे रोग/बीमारियां जो जानवरों से मनुष्यों में फैलती है] For example

⇒ **Environmental degradation:** human encroachment in jungles → Nipah Virus spreads from Jungle Bats to Domestic animals (Pigs) to Humans. [from Malaysia's NIPAH Village]

⇒ **Environmental degradation:** Men kill Monkeys, Antelopes for meat → infected with Ebola virus. [From Africa's Ebola river region near Congo]

⇒ China's Wuhan's Wildlife Meat Market: Cats, ferrets, fruit bats, hamsters, racoon, etc. → **Corona**

⇒ 🧑🏻♀️ **Boss?** One Health approach is advocated by multiple orgs such as Food and Agriculture Organization (FAO), the World Organisation for Animal Health (OIE), the World Health Organization (WHO) and the United Nations Environment Programme (UNEP).

Why in news? Indian govt's Dept of animal husbandry also organizing seminars/workshops on this matter. Then CA-PDF-wallahs have gone “crazier than usual” over this topic.



61.14 🧐📦📦 CORONA

- ⇒ COVID-19 virus - SARS-CoV-2 - first identified in Wuhan city of China in December 2019.
- ⇒ Hungarian physician **Ignaz Semmelweis**. = father of Hand washing / hygiene & hospital sanitisation.

61.14.1 🧐📦📦 Basic Reproduction Number R_0 (R-zero)

R_0 value	Meaning- एक संक्रमित व्यक्ति कितनी और लोगों को संक्रमण फैलाएगा ?
Less than 1	One Patient infecting less than one person = disease will gradually vanish.
Equal to 1	1 Patient infecting one person. Disease will not vanish but it will not result in an epidemic. बीमारी संपूर्ण रूप से लुप्त तो नहीं होगी, किन्तु महामारी का बढ़ा/विकट रूप नहीं लेगी।
Greater than 1	One patient infecting more than one person = epidemic possible.
> 10 or >100	Super spreader event. One patient infecting tens & hundreds of people.

61.14.2 🧐📦📦 🙌 Mitigation versus 🙌 suppression

	🙌 Mitigation [बीमारी का शमन]	🙌 Suppression [सम्पूर्ण दमन]
Objective	Slow down the spread of pandemic by reducing the R_0 (e.g. from $R_0=100$ to $R_0=2$) संक्रमण के दर को पहले की तुलना में कम करना।	Stop or reverse the spread of infection completely by ensuring $R_0 < 1$ संक्रमण को संपूर्ण रूप से रोक देना
How?	Not complete lockdown. allowing factories to run with 50% staff etc. Use mask-sanitizers, Social distancing, home quarantine, contact tracing, active surveillance etc. संपूर्ण रूप से तालाबंदी नहीं	Nationwide complete lockdown of everything. संपूर्ण रूप से तालाबंदी/कर्फ्यू
Implications?	Without damaging the economy greatly, it'll help 📉 death by 50% अर्थतंत्र को बहोत ज़्यादा हानि पहुँचाएँ बिना मृत्यु दर में 50% की कटौती संभव	Great damage to economy. अर्थतंत्र को अप्रत्याशित हानि

- ⇒ **Barbell strategy in finance** = while making an investment in a risky situation you should first hedge / protect yourself for the worst outcome initially. Then after new feedback/development you should update your response state by step. बारबेल रणनीति - अनिश्चित परिस्थितियों में निवेश करते वक़्त सबसे पहले “यदि बहुत ख़राब परिस्थिति होगी उससे स्वयं को संभालना/सुरक्षित करना”। उसके बाद जैसे जैसे नई जानकारी सामने आये, निवेश के नए फैसले लेते रहना।
- ⇒ So considering above angles, Indian policymakers followed a similar ‘barbell approach’. First nationwide lock down to ‘save lives’ & ‘flatten the epidemic curve’ & reduce ‘ R_0 ’. Then gradual unlock down to ‘save the livelihood.’ कोरोना महामारी में भारत ने कुछ ऐसा ही किया। सबसे पहले सबकी जान बचाने के लिए स्वयं को सुरक्षित करने के लिए राष्ट्रव्यापी तालाबंदी। उसके बाद नई जानकारी और नए माहौल को देखते हुए धीरे धीरे लोकड़ाऊन को खोला/ढीला गया बाक़ी सब की आजीविका का भी रक्षण हो सके।
- ⇒ Parallely govt also focused on social distancing, contact tracing and vaccination.



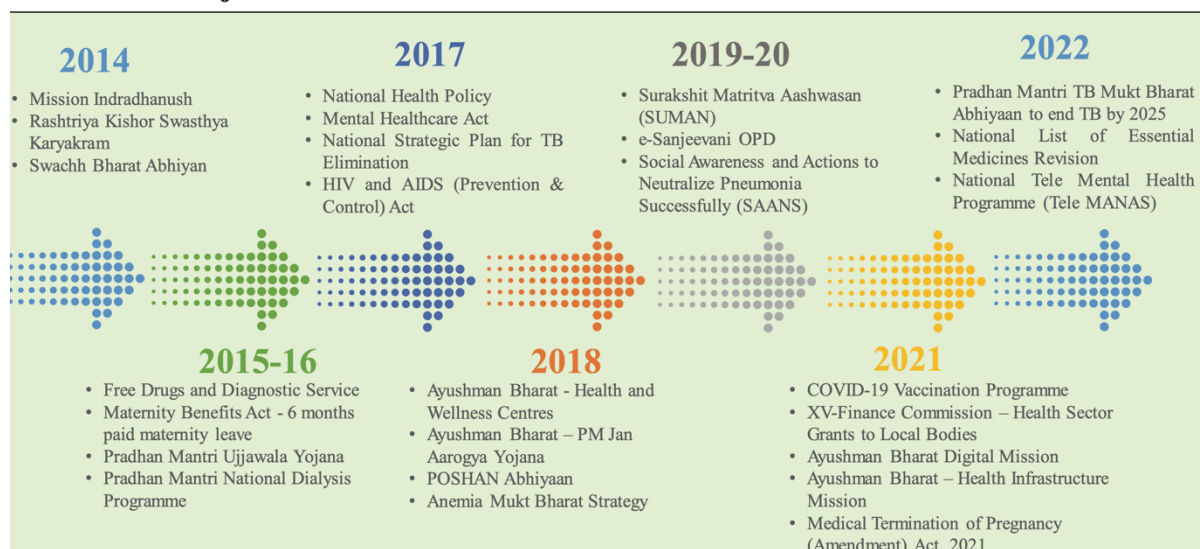
👉 In the remaining chapter 1 vol 1 - economic survey 2021 has done great appreciation of government lockdown policies. But in retrospect, when we compare the situation in Corona wave 2.0 most of that appreciation looks redundant.

61.14.3 📖 ES22 Barbell strategy/Agile Response vs Waterfall strategy

Shifted to Mains Handout. #Prelims-RAFTAAR 🇮🇳

61.14.4 📖 ES23- notable health initiative ki Timeline

Major initiatives from 2014 to 2022 for better overall health



61.15 🤖👨🏻🩺💊👩🏻🩺 ATMA-NIRBHAR BHARAT → MEDICINE / HEALTH

61.15.1 🤖👨🏻🩺💊👩🏻🩺 → Ayushman Bharat National Digital Health Mission (2020)



⇒ 2020-15th August speech. PM announced National Digital Health Mission राष्ट्रीय डिजिटल स्वास्थ्य मिशन

⇒ 2021-Oct: launched with the name "Ayushman Bharat Digital Mission (ABDM)"

⇒ **Boss?** Health Ministry → **National Health Authority (NHA)** (Recall PM-JAY wali organization from Pillar 1D. This is same NHA).

⇒ **National Health Authority (NHA)** will act as the Health Information Exchange and Consent Manager (HIE-CM). Which doctors/hospitals can access person's health data? Ans. Person will give consent about that to NHA.

⇒ Person registers on portal/App using mobile number or Aadhar card. Not compulsory to give Aadhar card number at present. He gets 14 digit health ID number.



- ⇒ Citizens to be given Unique Health ID (UHID) with personal records about diseases, diagnosis, report, medication etc. (रोग, निदान, रिपोर्ट, दवा आदि)
- ⇒ UHID will be free of cost, voluntary, consent-based with opt-out feature. (निः शुल्क, स्वैच्छिक और सहमति-आधारित. मरीज अपना डेटा हटवा/डिलीट भी करवा सकते हैं).
- ⇒ Patients can share with doctors = saves time/trouble of keeping multiple files/xerox/X-rays etc.
- ⇒ Can person delete his account /data? Ans. Yes
- ⇒ Can a person add a nominee to access account? (e.g. PH person unable to use phone wants to add his guardian/relative?) Ans. Yes.
- ⇒ It'll also connect with digi-doctor, tele-medicine, e-pharmacy. (डिजी-चिकित्सक, दूरभाष-दवाइया, ई-औषधालय)
- ⇒ 🛒 Budget-2022: Ayushman Bharat Digital Mission → we'll create digital database/registries of doctor, hospital, patient records.



? MCQ. Find Correct about Ayushman Bharat Digital Mission: (Prelims-2022)

1. Private and public hospitals must adopt it. (सरकारी व निजी अस्पतालों में अनिवार्य रूप से इसे अपनाना होगा)
2. As it aims to achieve universal health coverage, every citizen of India should be part of it ultimately. (इसका उद्देश्य सार्वजनिक स्वास्थ्य कवरेज प्राप्त करना है, भारत के प्रत्येक नागरिक को अंततः इसका हिस्सा होना चाहिए)
3. It has seamless portability across the country. (पूरे देश में इसकी निर्बाध सुवाह्यता है)

Codes: (a) 1 and 2 only. (b) 3 only (c) 1 and 3 only. (d) 1, 2 and 3

61.15.2 🧑🏻💻 : 🧑🏻💻 → Draft Health Data Management Policy (स्वास्थ्य डेटा प्रबंधन नीति)

- ⇒ Released by **National Health Authority (NHA)** for National Digital Health Mission (NDHM):
- ⇒ covers all stakeholders- Patients, Doctors, Union & State Govt, Health insurance cos, pharma cos, & research bodies. यह नीति सभी ही धारकों को संबोधित करती
- ⇒ Patient health id number will be created free of cost. मुफ्त में स्वास्थ्य संख्याक दिया जाएगा
- ⇒ Patient will have the right to remove his personal data, get errors corrected, Restrict the disclosure of data to other organizations, Request copy of data. मरीज अपना डाटा हटवा सकता है, डाटा गलतियों में सुधार करवा सकता है, किसी संस्था से डाटा साझा करने से मना कर सकता है, अपने डेटा की नकल मांग सकता है- यह सब अधिकार प्राप्त
- ⇒ Data will be shared with orgs only with compliance of applicable laws and international standards. भारतीय कानून और वैश्विक मानकों के आधार पर ही डाटा को अन्य संस्थानों के साथ साझा किया जाएगा
- ⇒ Awareness program about data privacy. डाटा निजता के बारे में जन जागृति अभियान

👉 **Conclusion?** NDHM will help providing access to inclusive, affordable, and safe healthcare to the people of India. This will greatly help in SDG goals.... राष्ट्रीय डिजिटल स्वास्थ्य मिशन भारत के लोगों के लिए समावेशी, सस्ती और सुरक्षित स्वास्थ्य सेवा पहुँचाने में मदद करेगा. सतत विकास लक्ष्यों की प्राप्ति के लिए उपयोगी

61.15.3 🧑🏻💻 : 🧑🏻💻 Health → E-Sanjeevani telemedicine

- ⇒ Ministry of Electronics and Information Technology (MeitY) → Centre for Development of Advanced Computing (C-DAC, Mohali centre) → e-Sanjeevani Tele-Consultation Services



(टेली/दूरसंचार से चिकित्सा परामर्श सेवाएँ).

⇒ It provides Patient registration, Audio-Video Consultation with a Doctor, ePrescription.

61.15.4 🧑🏻🩺💊🏠 Health Training → iGOT

⇒ HRD Ministry's 'Digital Infrastructure Knowledge Sharing' (DIKSHA) platform for education and training → inside DISHA, they developed a new portal 'Integrated Government Online training' (iGOT) portal.

⇒ iGOT provides Training modules for Doctors, Nurses, Paramedics, Hygiene Workers, Policemen, civil servants@Union & State, National Cadet Corps (NCC), and other volunteers for Corona crisis= 📶 capacity building. क्षमता निर्माण

61.15.5 🧑🏻🩺💊🏠 PM AtmaNirbhar Swasth Bharat Yojana [PMASBY] 📅 Budget-2021

कोरोना जैसी नई महामारियों को ढुंढने और इलाज करने के लिए पैसा

- ⇒ Who? Health Ministry's Scheme. Tenure? 2021 to 31/3/2026
- ⇒ Centrally sponsored scheme. State governments also required to contribute money.
- ⇒ To detect and cure of new and emerging diseases, deal with present and future pandemics.
- ⇒ Develop Primary, Secondary, And Tertiary Care Health Systems.
- ⇒ Focus on IT enabled surveillance, Public Health Labs, National Centre for Disease Control etc.

61.15.6 🧑🏻🩺💊🏠 PM-Ayushman Bharat Health Infrastructure Mission (PM-ABHIM)

it is the new name of the above scheme - PM AtmaNirbhar Swasth Bharat Yojana. Basically to strengthen the public health infrastructure to fill critical gaps in health infrastructure, surveillance, and health research - spanning both the urban and rural areas.

61.16 🧑🏻🩺💊🏠: CORONA → VACCINATION TIMELINE

- ⇒ From Jan, 2021: Corona Vaccines for Health workers and front line workers (e.g. policemen)
- ⇒ From April, 2021: Corona Vaccines for all citizens aged 45 years and above.
- ⇒ From May 2021: Corona Vaccines for all aged 18 and above.
- ⇒ From January 2022: Corona Vaccine for teenagers aged 15-18 years
- ⇒ 2022: Govt started) vaccination for 15-18 years age group teenagers.

61.17 🧑🏻🩺💊🏠: CORONA → HEALTH APPS / PORTAL / ORG

61.17.1 🌐👤♀: COVAX Network to buy vaccine for member countries

- ⇒ 👤♀ Boss? World Health Organisation, GAVI (Global Alliance for Vaccines and Immunisation), and the Coalition for Epidemic Preparedness Innovations (CEPI).
- ⇒ Objective? This organisation / alliance buys vaccines for member countries. [ये संस्था सदस्य देशों के लिए कोरोना वेकसिन खरीदता है]
- ⇒ 🤔 Controversy? 1) Allegations that it is not making enough efforts to get sufficient vaccines for the poor countries. 2) Punjab state government tried to buy vaccines from it but COVAX



denied saying we deal only with union government and not state governments.

61.17.2 🧑🏻💉 : CoWIN (Covid Vaccine Intelligence Work) App & Portal

- ⇒ 🧑🏻♀️ Boss? Health ministry's National Health Authority (NHA, same organization also looks after PM-JAY ₹5lakh health insurance)
- ⇒ COWIN App & Portal helps people to register for vaccination slot and download the vaccine certificate. [टीकाकरण के लिए पंजीकरण और प्रमाण पत्र उपलब्ध करता है]
- ⇒ IF person does not have Aadhaar card then he can register with other documents like voter ID, driving license, etc.[आधार कार्ड आवश्यक नहीं]
- ⇒ 2021: PM Modi declared COWIN will be given Open source/free to all the nations, so other nations don't have to spend ₹ on developing similar software/app. [अन्य देशों को मुफ्त में सॉफ्टवेयर देंगे]

Table 3: don't loose sleep

PM Garib Kalyan Package Insurance	Health workers fighting Corona from March-2020 to April 2022 were given comprehensive personal accident insurance cover of ₹ 50 lakhs.
COVAID [चिकित्सा उपकरण वस्तुएं दान देने के लिए]	⇒ 🧑🏻♀️ Boss? NITI Aayog webportal (covaid.niti.gov.in) to facilitate the import/Donation of Corona relief material into India by domestic and foreigners. e.g. Oxygen Cylinders, Oxygen Concentrators, Ventilators, Rapid Detection Kits, Remdesivir etc.
🧑🏻👉 Suraksha Store initiative	Department of Consumer Affairs monitors health-safety guidelines @retail stores, with help of tech-startups Safejob and Seekify. These tech-startups provide online training to kirana shop owners about Corona safety guidelines.
🧑🏻👉 Aarogya Setu 2020-April	⇒ uses Bluetooth technology and GPS location data to track people infected with Corona / came in close contact with infected patients. ⇒ Developed by National Informatics Centre (NIC, under MEITY) with help of NITI Aayog & private sector IT experts. 🤖 Controversy? Privacy / hacking / misuse of data. (नागरिकों की निजता पर खतरा)
🧑🏻👉 AarogyaPath 2020	Ministry of Science & Technology → CSIR → AarogyaPath Supply Chain Portal gives info about real-time availability of masks, PPE (Personal Protective Equipment), medicines and other critical healthcare supplies for Corona
Co-WIN	Health Ministry → National Health Authority portal for Corona vaccine distribution/supply chain management, monitoring adverse/side effect etc.
Mission COVID Suraksha	Atma-Nirbhar: Ministry of Sci & Tech → Department of Biotechnology (DBT) given ₹900 cr to help companies develop Corona Vaccine 🧑🏻💉
🧑🏻👉 Project Card	Niti Aayog & Dept of Biotechnology's Consortium for Affordable & Rapid Diagnostics (CARD) to 🇮🇳 Indian production of coronavirus testing kits.
🇫🇷🧑🏻👉	Oxford University to how strict a country's Corona lockdown measures were. Marks: 0 to 100 (100 = strictest). Scoring changes with time. E.g India <20 in



Stringency Index	January, but 100 during March-April. किस देश ने कितने कठोर तालबन्धी के कदम उठाए।
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61.17.3 🧴👤 → **Health: Corona related Drugs/Kits – deleting from HDT**

Outdated. Deleting for 2025-26 cycles.

61.18 🧴👤 → **HEALTH: MISC. SCHEMES (विविध गौण योजनाएँ)**

Pradhan Mantri Swasthya Suraksha Yojana	सभी राज्यों में एम्स जैसे अस्पताल बनाओ योजना Central Sector Scheme: 100% funded by Union to 📌 regional imbalance in Healthcare infrastructure of India by Setting up new AIIMS like Institutions - Upgrading Government Medical Colleges.
Rashtriya Arogya Nidhi	Health Ministry gives ₹ ₹ for BPL patient suffering from major life threatening diseases to get FREE treatment at super specialty hospitals from this RAN fund
National Pharmacovigilance Programme	Health Ministry to monitor ⇒ Adverse Drugs Reactions (ADR: दवा की प्रतिकूल प्रतिक्रिया), ⇒ Spurious/Fake drugs. (मिलावटी / नकली दवा)
Deworming	Children given Albendazole tablets, awareness, cleanliness etc. [कृमिहरण]
Atal Jai Anusandhan Biotech Missions 2019	Science Ministry → Dept of Biotechnology launched this with 5 sub-missions: GARBH-ini: A research mission to find out reasons for pre-term / premature births. So such babies can be saved accordingly. IndCEPI: A Mission to develop affordable vaccines for endemic diseases. UNaTI: to transform health, agro & energy e.g. research on bio-fortified and protein rich wheat. - Mission on Antimicrobial Resistance - innovative technological for the Swachh Bharat mission
National Ayush Mission (2014)	Boss? Ministry of Ayush - Core Scheme (Not 100% funded by Union) - Encourage the use of AYUSH medicine, setup new colleges, setup new hospitals, increase manpower etc. - Encourage Medicinal plants cultivation, ensure quality control of drugs
PM Vrikshayush Yojana	Ayush Ministry scheme for medicinal plants' cultivation and post-harvest management (कटाई के बाद का प्रबंधन)
e-AUSHADHI	Ayush Ministry portal for online licensing of Ayurveda, Siddha, Unani and Homoeopathy drugs. It'll also provide information of cancelled and spurious drugs.
Yoga Apps	⇒ BHUVAN-YOGA: ISRO app to know about how many people participated International Yoga day across different venues. ⇒ Yoga Locator: to find venues for International Yoga day.
Imp. Days	⇒ 21 June: Day of Yoga (started since 2015, by UNGA) ⇒ 4th January: Siddha Day. Ayush Ministry started this from 2018. ⇒ 1 Dec: World AIDS Day.



Disease eliminated	ES22: India has eliminated eliminating polio, guinea worm disease, yaws and maternal tetanus and neonatal tetanus.
MERA	ICMR's project for Malaria Elimination Research Alliance India
TruNAT	ICMR's project for TB detection at cheap rate.
AMRIT Outlets	Affordable Medicines and Reliable Implants for Treatment (AMRIT) outlets To provide drugs for cancer and cardiovascular diseases along with cardiac implants at 60–90% discount on prevailing market rates .
eSanjeevani	Has two types of teleconsultation services :(1) Doctor - to - Doctor (called eSanjeevani) (2) Patient - to - Doctor (called eSanjeevani OPD)
SUGAM portal	by Central Drugs Standards Control Organisation (CDSCO) to apply for drug approvals, submit clinical trial reports, file complaints etc.
eAushidhi	online licensing of Ayurveda, Siddha, Unani and Homoeopathy drugs.
U-Win Portal	web-platform for vaccination under Mission Indradhanush. It has database of pregnant women and children up to 16 years (CDS'25 asked MCQ about this.)

MCQ. eSanjeevani', a scheme of the Government of India, serves which one among the following objectives? (EPFO-2023)

- (a) Creates a database of people affected by COVID-19 (b) Promotes the use of telemedicine
(c) Establishes an electronic National Clinical Registry (d) Efficient promotion of health advisories.

61.18.1 🏠 Interim-Budget-2024 on Healthcare

- cervical cancer vaccination for girls in age 9 to 14 years. Most cervical cancers are associated with the Human Papilloma Virus(HPV)
- All ASHA workers, Anganwadi Workers and Helpers will be eligible for PM-JAY (₹5 lakh health-insurance) under Ayushman Bharat scheme. (Ref: Pillar#1D for more)

61.18.2 🏠 Budget-2025 on Health - cancer Centre in every district

- We'll setup Day Care Cancer Centers in all district hospitals in the next 3 years.

61.18.3 📖 ES25: Healthcare- Drones, AI, Toxic work

Matter	description
Drones se medicine delivery	(1) Medicines from the Sky: by world economic forum (WEF) in Telangana, Arunachal etc (2) Project 'i-DRONE for Northeast: by ICMR+Health Ministry
AI for healthcare	(1) Rajasthan government using AI for dictation of silicosis in patients. (2) - Uttarakhand Government's eSwasthya Dham portal to monitor the health of Char Dham Yatra pilgrims.
Toxic work	Economic Survey wrote a long essay on how toxic work-culture affects mental health, but Prelims relevance very less.



ultra-processed / Junk food	(1) bad for mental health (2) - obesity, chronic inflammatory disorders, cardiovascular diseases, and mental disorder (3) Being lower in fibre content= leads weight gain (4) increased risk of multimorbidity= multiple non-communicable diseases like BP, Diabetes etc.(5) affects mental health, depression, and anxiety. Suggestions? Impose higher GST. Make tougher rules for advertisement and product labelling
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61.19 🍴 HRD → HEALTH → HUNGER, MALNUTRITION, FOOD SECURITY



- **Hunger** = distress arising from insufficient calorie / food intake. (भूख: भोजन न मिलने पर होने वाली पीड़ा)

61.19.1 📅 Hunger: chronic vs seasonal

- Chronic hunger = round-the-year hunger due to poverty
- Seasonal hunger = employment related. e.g. there is less work for construction labourers during the rainy season so they are not able to afford full-meal.
- Both season & chronic hunger % has ↓ ↓ declined in India over years, says NCERT Class9.

61.19.2 🍲 Food Security (खाद्य सुरक्षा)

- **Malnutrition** is the deficiency arising from insufficient calories and / or insufficient nutrients in a person's diet. (कुपोषण: अपर्याप्त भोजन / पोषक तत्वों के चलते होने वाला शारीरिक अभाव / समस्या)
- **Food security** means the availability of nutritious food at stable & affordable prices round the year for all the people. (स्थिर / किफायती दामों पर पूरे साल पोषणक्षम आहार/भोजन मिलना)
- 1970s: food security = food security means the "availability at all times of adequate supply of basic foodstuffs"
- Economist **Dr. Amartya Sen** added new dimension that even if there's adequate food supply, poor people can't afford it, which is like famine and lacks food security. Therefore Govts must improve food access through entitlements (e.g., NFSA Act's 5kg food).
- Indian govt's food security sys = 2 components: (i) FCI buffer stock (ii) public distribution system (PDS).

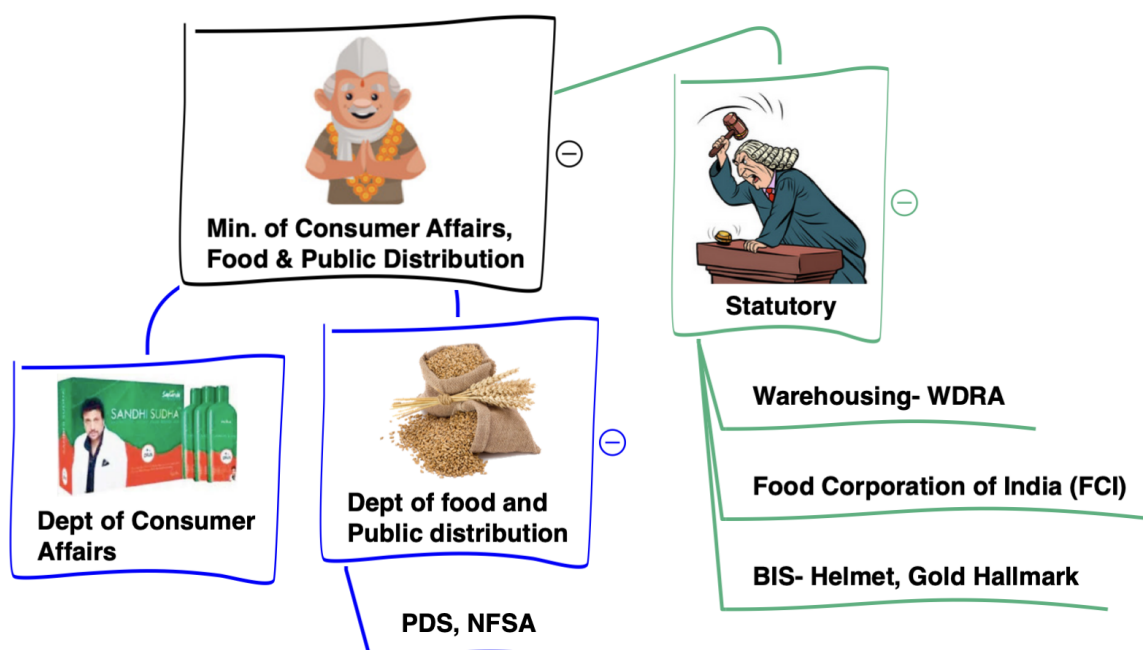
SDG Goal#2 requires India to end hunger & achieve food security.

Food security Pillar	What has India done to achieve it?
food should be available & accessible in sufficient quantity at all times and at all places [पर्याप्त मात्रा में भोजन मिले सबको]	✓ Union: MSP, fertilizer subsidy, PM-KISAN ✓ States: cheap canal water and electricity to farmers. ✓ Together, they encourage farmers to produce more grains.
Food should be affordable To	Through National Food Security Act (NFSA), Govt provides



Food security Pillar	What has India done to achieve it?
poor people. किरायाती दामों गरीबों को मिले	cheap grain to poor.
Food should be nutritious to ensure healthy development of body of mind. पोषणयुक्त, शरीर मस्तिष्क विकास	Through Poshan Abhiyan, Mid-day meal, Integrated-Child Development Services (ICDS) and half dozen other schemes, Govt ensures nutritious food to children & women.
In food prices and supply must be stable . खाद्य चीजों में दामों में स्थिरता रहे	FCI keeps 'buffer-stock' of grains. It can be sold to open market or distributed among people during high inflation, natural disaster etc. (More in Pillar#4A: agri)

61.19.3 [YEARBOOK] Min. of Consumer Affairs, Food & Public Distribution



उपभोक्ता मामले, खाद्य और सार्वजनिक वितरण मंत्रालय consists of <notable organizations are >

Dept	- Dept. of Consumer Affairs → Integrated Grievance Redress Mechanism (INGRAM) portal for consumer complaints. - Dept. of Food and Public Distribution
Attached / subordinate offices	- Directorate of Sugar and Vegetable Oils → National Sugar Institute - Indian Grain Storage Management & Research Institute
Statutory Bodies (we learned them in Pillar#4A)	- Warehousing Development and Regulatory Authority (2007) - National Consumer Disputes Redressal Commission - Bureau of Indian Standards (BIS)- ISI & Gold hallmarking + enforcement of Essential Commodities Act, 1955
Commercial Undertakings	- Food Corporation of India (FCI-statutory corporation, 1964) - Central Warehousing Corporation (Statutory corporation, 1962) - Central Railside Warehouse Company Limited - Hindustan Vegetable Oils Corporation Limited



Autonomous	N/A or not MCQ worthy.
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Name of scheme	Year of introduction	Coverage target group	Latest volume	Issue price (Rs per kg.)
PDS	Up to 1992	Universal	–	W-2.34 R-2.89
RPDS	1992	Backward blocks	20 kg of foodgrains	W-2.80 R-3.77
TPDS	1997 launched in 2000	Poor and non-poor BPL APL 1st time separate (=differential) pricing for BPL vs APL	35 kg of foodgrains/month	BPL – W-4.15 R-5.65 APL-W-6.10 R-8.30
AAY	2002	Poorest of the poor	35 kg of per household foodgrains per month	W-2.00 R-3.00
APS	2000	Indigent senior citizens	10 kg of foodgrains	Free
National Food Security Act (NFSA)	2013	Priority households	5 Kg per person per month	W-2.00 R-3.00 Coarse-1.00 grains

Note: W - Wheat; R - Rice; BPL - Below poverty line; APL - Above poverty line

61.19.4 🍴👤 → Hunger → Schemes before NFSA

- **1943: FAMINE OF BENGAL** = the most devastating famine in India ➔ introduction of Rationing in India in the 1940s.
- **1960s:** The rationing system was revived again in the wake of an acute food shortage
- **1977-78:** Food-for-Work scheme.

Public Distribution System (PDS) is operated under the joint responsibility of the Central and the State/UT Govts. States/UT Responsible for identifying the beneficiaries and giving them ration cards.

TPDS-1997	Targeted Public Distribution System (लक्षित सार्वजनिक वितरण प्रणाली) - Panchayats, Self-help Groups, Co-operatives, Individuals are given 'license' to open fair price shops / PDS shops. - Beneficiaries can buy subsidized grains, fuel (kerosene) etc. from such shops using their 'ration card'. - Union gave wheat, rice, sugar, kerosene. (later kerosene subsidy removed) - Some States also distribute additional items of mass consumption through the PDS outlets such as pulses, edible oils, iodized salt, spices, etc. - first time it introduced concept of
AAY-2000	- Antyodaya Anna Yojana to give 35 kg subsidized grains per poorest of poor family per month.
NFSA-2013	National Food Security Act 2013 converted above scheme entitlements into 'legal rights'. ऊक्त योजनाओं में मिलने वाली चीजों को कानूनन हक में परिवर्तित किया।

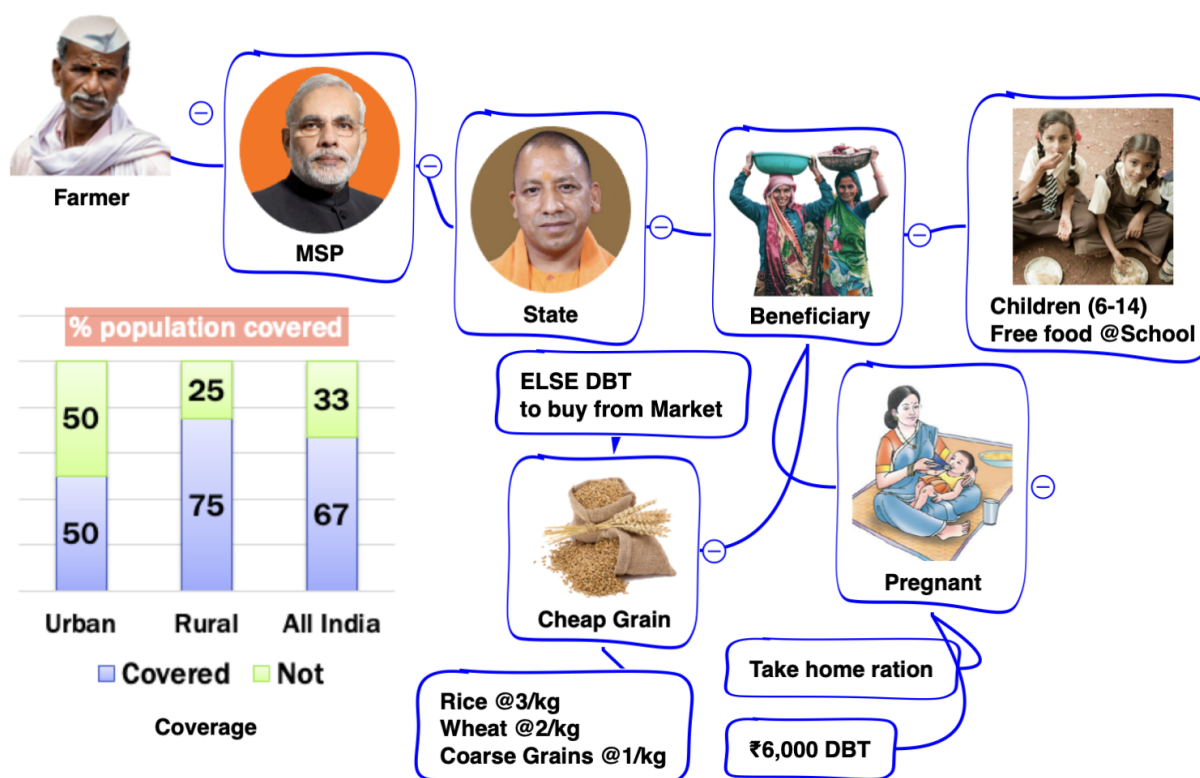


AB CD !? MCQ. Find correct statements about the Public Distribution System: (CDS-2023-ii)

1. The Public Distribution System is operated under the joint responsibility of Centre and State/Union Territories.
2. Food Corporation of India has assumed the responsibility for procurement, storage and transportation of food grains to the State Governments.
3. Both Centre and State have the joint responsibility to identify eligible beneficiaries.
4. Some States also distribute additional items of mass consumption through the PDS outlets such as pulses, edible oil, etc.

Codes: (a) 2 and 3 only (b) 1, 2 and 4 (c) 1 and 2 only (d) 3 and 4 only

61.19.5 🍴👶👵 → Hunger → National Food Security Act 2013 (खाद्य सुरक्षा कानून)



- Aims to provide subsidized food grains to poor families. सस्ती कीमतों पर गरीब परिवारों को भोजन / अन्न देना
- **Boss?** Dept of Food and Public Distribution (खाद्य और सार्वजनिक वितरण का विभाग)
- Union procures grains from farmers at Minimum Support Price (MSP: न्यूनतम समर्थन मूल्य, Ref:4A).
- Union sells the grains to States at Central Issue Price (CIP: केंद्रीय निर्गम मूल्य). Quantitative allotment to each state is done on the basis of number of beneficiaries.
- NFSA Act requires that CIP can't be greater than MSP.
- Food Subsidy = FCI's Economic Cost MINUS Central Issue Price (CIP)
- States ultimately sell the grains to beneficiary through Fair Price Shops/Ration Shops/ Public Distribution System/PDS Shops. (राशन की दुकानें)
- It's a Central Sector Scheme. Budget-2019 allotted >₹ 1.50 lakh crore for this.
- States shortlist the beneficiaries & sell them foodgrains in such manner that



- $\sim 2/3^{\text{rd}} = 67\%$ Indian population is covered, including
 - 75% rural population is covered (तीन-चौथाई ग्रामीण आबादी को शामिल किया)
 - 50% urban population is covered. (आधी शहरी आबादी को शामिल किया)
- Thus, both BPL and (slightly) above poverty line (APL) families are covered. गरीबी रेखा के नीचे/ऊपर
- These beneficiaries are entitled to grains at subsidized rate, through PDS shops →

Rice	₹ 3/kg	These prices are fixed by Union. Union may update these subsidized prices, but not higher than MSP.
Wheat	₹ 2/kg	
Coarse grains	₹ 1/kg	This food is made free from 1/Jan to 31/Dec'23 for beneficiaries.

- ✓ There are two categories of households under NFSA Act:
- ✓ Priority Households (PHs): 5 kg of foodgrains for each family member at above price
 - Antyodaya Anna Yojana (AAY) households= 35kg grain at above price. Doesn't matter how many members are in the family.
- ✓ If State / UT doesn't want the administrative burden of providing grains in PDS shop at above price, they may do **Direct Benefit Transfer (DBT)**: प्रत्यक्ष हस्तांतरित लाभ to beneficiaries so they can purchase @market prices (such as ₹ 35/kg rice, ₹24/kg wheat). **Chandigarh, Puducherry, Dadra & Nagar Haveli** adopted this route. [खुद अनाज नहीं दे सकते तो बाजार से खरीदने के लिए पैसा दे दो गरीब को]
- ✓ If State / UT can't provide food within stipulated time / quantity then they've to pay **food security allowance** (खाद्य सुरक्षा भत्ता) to the beneficiaries.
- ✓ Beneficiary can complaint at district & state level. States required to form State Food Commissions for monitoring / implementation.
- ✓ For women empowerment: The **eldest woman** in the household (aged 18/>) shall be considered the head of the household for issuing **ration card**. (घर की सब से बुजुर्ग महिला के नाम पर राशन कार्ड बने)
- ✓ Pregnant and lactating mothers (upto 6 months) are eligible for
 - "Take home ration" of **600 Calories**.
 - entitled to a free meal at the local Anganwadi (including their 0-6 years child)
 - Maternity benefits of min. **₹ 6,000, in instalments**. (Ref: PM Matru Vandana Yojana in previous section.)
- ✓ 6-14 aged children entitled to one free hot meal or 'take home rations' in Govt schools (Ref: Mid Day Meal Scheme under Education section). [बच्चों को स्कूल में खाना मिले]

61.19.6 Antyodaya Anna Yojana (AAY) ke households vs Priority Households

NFSA classifies beneficiaries into families into two parts:



	Antyoday Anna Yojana (AAY) ke households	Priority Households
	35 kg/per month irrespective of the number of family members,	5kg/per person per month
if 10 members	35 kg per months	10x5kg=50kg

AB CD ? MCQ. Find correct statement(s) about National Food Security Act, 2013 (UPSC-Pre-2018)

- The families coming under BPL only are eligible to receive subsidised food grains.
- The eldest woman in a household, of age 18 years or above, shall be the head of the household for the purpose of issuance of a ration card. (YES, TRUE)
- Pregnant women and lactating mothers are entitled to a 'take-home ration' of 1600 calories per day during pregnancy and for six months thereafter.

Codes: (a) 1 and 2 only (b) 2 only (c) 1 and 3 only (d) 3 only

61.19.7 🚗 Ration Card Types & 1.17 cr rejected (2025)

3 kinds of ration cards

- (i) Antyodaya cards for the poorest of the poor;
- (ii) BPL cards for those below poverty line;
- (iii) APL cards for all others.
- Who are not eligible for NFSA 5kg food quota?** = Income Tax payers, Company Directors and those who own four wheelers.
- 2025:** Govt cross verified the data from Income Tax Department, Highway Ministry etc and removed 1.17 crore ration cards from NFSA-5kg.
- Controversy?** Directors of Farmer producer Companies (FPC, recall 4A) also removed. But many of them are just very poor farmers in reality.

61.19.8 🏠👨👩👧👦👶 → Hunger → NFSA → One Nation One Ration Card

सामान्य रूप से राशन कार्ड की सुविधा स्थान- आधारित होती है, यानी मुंबई में बनाया गया राशन कार्ड लखनऊ में सस्ता अनाज खरीदने के लिए इस्तेमाल नहीं कर सकते। “एक राष्ट्र एक राशन कार्ड प्रणाली” की जहाँ प्रवासी मजदूर को ऐसी सुविधा मिले। किन्तु कुछ राज्यों ने अभी तक यह प्रणाली नहीं अपनायी तो नाराज सुप्रीम कोर्ट ने उन्हें 31 जुलाई तक का समय दिया।

🤖 BEFORE	👑 AFTER
⇒ Generally ration card is made in the name of a family and it is location specific.	⇒ WILL BE ABLE TO DO IT.
⇒ So, if a migrant worker has got a ration card in Mumbai → he cannot use it for buying cheap grains at Pune (Intrastate) or	⇒ Project started from 2019 but in 2021: Four states were yet to join the scheme — Assam, Chhattisgarh, Delhi and West Bengal. : SUPREME Court ordered all



🤖 BEFORE	👑 AFTER
Lucknow (Interstate).	governments to implement this by a deadline July 31, 2021.

Thus, ONORC aims to provide inter-state and intra- state portability of public distribution system (PDS) / National Food security act (NFSA) entitlement. It functions using two portals:

Boss? Ministry of Consumer Affairs, Food & Public Distribution:

📄 IMPDS portal	Integrated Management of Public Distribution System (IMPDS)) to implement national level portability.
📄 Annavitran Portal	to display the sales data of subsidized foodgrains bought through e-Point of Sale (e-PoS) devices. राशन की दुकानों पर सस्ते अनाज की बिक्री के आँकड़े

61.20 🍴👤👤 HUNGER → FOOD DISTRIBUTION REFORMS TAKEN BY GOVT

- ✓ Global Positioning System (GPS) and Radio-frequency identification (RFID) based real time vehicle tracking system for trucks used to transport subsidised food grains. It curbs the menace of diversion of subsidized food grains in black market. (राशन अनाज वितरण प्रणाली में जीपीएस का प्रयोग से कालाबाजारी के अवसरमे कमी)
- ✓ electronic Point of Sale (ePoS) devices are being installed at Fair Price Shops (FPSs). This helps tracking the distribution of food in a more systematic manner.
- ✓ Aadhaar Number helps removing duplicate / ghost / dead beneficiaries.
- ✓ Toll-free helpline.

61.20.1 🍴 Fair Price Shops (FPS) to be renamed as 'Jan Poshan Kendra'

- Fair price shops (FPS), also known as ration shops will be renamed as 'Jan Poshan Kendra'.
- Boss? Ministry of Consumer Affairs, Food & Public Distribution.
- These Kendras focus on providing a diverse range of nutrition-rich food items.
- Their store-inventory will have 50% products under the category of nutrition, while the remaining 50% for keeping other household items,

61.20.2 🍴 FPS Sahay Loan App

- objective? App for collateral-free loans/ financing - to help ration-shop dealers

61.20.3 🍴👤 Fortification of Rice (चावल की किलेबंदी)

- ✓ Rice fortification involves artificially adding extra vitamins & micronutrients such as Iron, Folic Acid, and Vitamin B12 in rice before supplying to customer. (ग्राहक को चावल देने से पहले उसमें अतिरिक्त विटामिन और पोषक द्रव्य डालना)

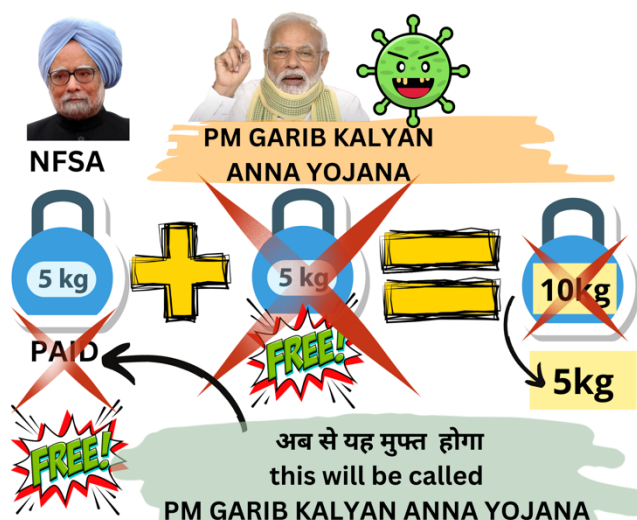
61.20.4 🍴👤👤 PM Garib Kalyan Anna Yojana (PMGKAY)- free grains in Corona

- ⇒ Corona → Atma-Nirbhar → PMGKAY: 80 crore poor people will to get 5 kg [wheat or rice] + 1 kg of pulses for free every month for the next three months.



- ⇒ **Boss?** Ministry of Consumer Affairs, Food & Public Distribution → FCI → releases the foodgrains to State government. **Funding:** ₹1.5 lakh crores
- ⇒ **Duration?** Phase-1: from April to June 2020. Phase-2: July to November 2020. Then in 2021: Scheme is extended, but only 5kg grain given, no pulses given. [दूसरे चरण में दाल नहीं, केवल अनाज देंगे]
- ⇒ This scheme discontinued from 2023-January

61.20.5 🧐🤔🍴🍽️👨🍳 NFSA PMGKAY Merger (1/Jan/2023)



- ✓ PMGKAY 5 kg free grain = discontinued.
- ✓ NFSA 5kg paid grain = it's made free. called "PM GARIB KALYAN ANNA YOJANA"
- ✓ this scheme was valid from 1/Jan2024 to 31/Dec 2024. But then during Madhya Pradesh state elections rally, PM announced that....
- ✓ from 1st January, 2024: PMGKAY extended for a period of five years.
- ✓ This will cost Rs. 11.80 lakh crore over a 5 year period.

61.20.6 🧐🤔🍴🍽️👨🍳 Corona: other initiatives for cooking / hunger?

- ✓ 🧐ATMANIRBHAR→ PM GaribKalyan → Free monthly LPG cylinder to PM-Ujjwala beneficiaries for next 3 months. (Ref: Pillar#5A: energy)
- ✓ 🧐ATMANIRBHAR→ 🌽If a migrant is not covered under the National Food Security Act (NFSA) or unable to get food because he does not have a ration card....then, State Government will distribute (5kg grain per person + 1 kg chana per family) per month x for 2 months. Union will bear its full cost. [प्रवासी मजदूर के पास भले राशन कार्ड न हो, उसे अनाज दिया जाए]
- ✓ 🇮🇳 One Nation One Ration Card to be implemented across India by 2021-March. (At present only 20 States have done it) → Then migrants will be able to get NFSA's subsidized food at any place, irrespective of whether his name entered in given State's ratio card database or not.



61.20.7 🌾 Bharat wheat flour (Atta) sale (2023)

- during 2023, the wheat prices begin to increase due to (1) Russia Ukraine crisis, (2) excessive exports from India (3) shortage for local market (4) Diwali festival season & excess demand (for sweets, etc)
- So, Minister for Consumer Affairs, Food and Public Distribution started selling subsidized atta with help of mobile vans, NAFED outlets etc.

Price in 2023-Nov	normal wheat flour	Bharat atta
Amount per kg	₹ 36	₹ 27.50

61.21 🍴👶 → HUNGER → MALNUTRITION (कुपोषण) → POSHAN ABHIYAAN (2018)



With National Food security act, India achieved 'food security' but not nutritional security, because **malnutrition is caused by** →

- Income Inequality:** Poor people unable to buy milk / veggies / almonds. Since ~21% of Indian population is Below Poverty Line (2011), this is bound to happen. (आय में असमानता)
- Gender Inequality:** Women eating last and least. >1/3rd of Indian women have low Body Mass Index (BMI) (महिलाओं से भेदभाव)
- Social Inequality:** SC/ST etc deprived of economic opportunities → unable to buy good food. (सामाजिक असमानता- अनुसूचित जाती/जनजाति के परिवार गरीबी के चलते अच्छा भोजन ले नहीं पाते)
- Water-sanitation-disease** e.g. open defecation → worms in intestine, enteropathy. (गंदगी, अंतर्द्वी में कृमि/सूजन)
- Psychological issues** e.g. Anorexia nervosa: person fears gaining weight so avoids eating. Social media/instagram → insecurity about weight gain & body image. (मनोवैज्ञानिक कारण। अपने रूप/सुंदरता/बाहरी दिखाव के लिए असुरक्षा की भावना)
- Dietary habits:** Vegetarians suffer from protein deficiency, according to Western scientists. (शाकाहार के चलते शरीर में प्रोटीन की कमी)

To address above problems, Govt. launched

2018: National Nutrition Mission = POSHAN = Prime Minister's Overarching Scheme for Holistic Nutrition. Motto: *Sahi Poshan, Desh-Roshan*

- Boss?** Ministry of Women and Child Development (महिला एवं बाल विकास मंत्रालय)
- Core Scheme** (Not 100% funded by Union). 60:40, 90:10. Union will arrange its side of money- half from budget and half from World Bank (IBRD) and other Multilateral Development Banks (MDBs).
- Iron Folic Acid (IFA) tablets, nutritious food in Anganwadi / Schools, convergence with ongoing schemes for women/child, Online monitoring, IEC awareness generation, E-learning, even Yoga.



- **Bharatiya Poshan Krishi Kosh (BPKK)** database of diverse crops across 128 agro-climatic zones in India for better nutritional outcomes.
- **Poshan Anthem** song by Prasoon Joshi and Shankar Mahadevan.
- **Rashtriya Poshan Mah** – celebrated every year in the Month of **September**.

Objective & Indicators	Target
1) Stunting in 0-6 group (all India average above 35%) In Bihar & Madhya Pradesh etc. it's >40%	Reduce to 25% by 2022 (= Mission 25 by 2022)
2) Stunting (low height for age), undernutrition, low-birthweight.	Reduce by 2% every year upto 31/3/2020
3) Anemia (रक्ताल्पता) in 0-6 age children, adolescent girls, women. - Anaemia is a condition when blood doesn't have enough Red Blood Cells (RBC) or Haemoglobin → Blood unable to transport enough Oxygen → Fatigue. - Anemia results from poor diet, malaria etc. or genetic disorders- sickle cell disease, Thalassamia. - >½ of Pregnant women suffer from Anaemia in India.	Reduce by 3% every year upto 31/3/2020

61.21.1 → POSHAN ☐ **Anemia Mukh Bharat (AMB) strategy- 2018**

- To reduce 3% anemia prevalence every year under the POSHAN Abhiyan .
- The strategy recommends 6x6x6 approach- as follows:

6x6x6	strategy
6 population groups	1. Children (6-59 months) 2. Children (5-9 years) 3. Adolescents girls and boys (10-19 years) 4. Pregnant women 5. Lactating women 6. Women of Reproductive Age (WRA) group (15-49 years)
6 interventions	1. Prophylactic Iron and Folic Acid Supplementation 2. Deworming 3. ensuring delayed cord clamping after delivery (by 3 minutes) in health facilities. 4. Testing of anaemia using digital methods and point of care treatment, 5. Mandatory provision of Iron and Folic Acid fortified foods in Government funded health programmes 6. Addressing non-nutritional causes of anaemia in endemic pockets with special focus on malaria, hemoglobinopathies and fluorosis
6 institutional mechanisms	1. Inter-ministerial coordination 2. National AnemiaMukt Bharat Unit 3. National Centre of Excellence and Advanced research on Anemia Control 4. Convergence with other ministries 5. Strengthening supply chain and logistics 6. AnemiaMukt Bharat Dashboard and Digital Portal- one-stop shop for Anemia.



MCQ. How many statements true for Anaemia Mukh Bharat Strategy: [Pre23-SET-A-Q052]



1. It provides prophylactic calcium supplementation for pre-school children, adolescents and pregnant women.
2. It runs a campaign for delayed cord clamping at the time of child-birth.
3. It provides for periodic deworming to children and adolescents.
4. It addresses non-nutritinoal causes of anaemia in endemic pockets with special focus on malaria, hemoglobinopathies and fluorosis.

Codes: (a) Only one (b) Only two (c) Only three (d) All four

AB CD **!?** MCQ. Which is/are adopted for implementing the POSHAN Abhiyaan? (CDS-2023-i)

1. Inter-sectoral convergence for better service delivery
2. Use of technology (ICT) for real-time growth monitoring of women and children

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

61.21.2 🌱👤👶 Poshan → National Council on India's Nutrition Challenges

Govt setup it to oversee Poshan Abhiyan. (भारत के पोषण संबंधी चुनौतियों पर राष्ट्रीय परिषद)

- **Chairman:** Vice Chairman of NITI Ayog
- **Members:** NITI Ayog CEO (IAS) | Union ministers of Women and child development, drinking water and sanitation, Tribal Affairs, rural development etc. | CM / their representatives from selected (=backward) states on rotation basis. | secretary rank officers from Health Ministry

61.21.3 🍴👤👶 → Hunger → Malnutrition (कुपोषण) → Mission Poshan 2.0 (2021)

📅 Budget-2021: we will launch Mission Poshan 2.0 by merging following two schemes

1) Poshan Abhiyan	Learned in above section.
2) Supplementary Nutrition Scheme (अनुपूरक पोषण योजना)	- a subscheme of Integrated Child Development Services (ICDS) - Gives hot cooked meals and/or take home ration (rice, wheat flour, kabuli chanaa, rajma, eggs, soyabean, jaggery, biscuit etc for to children (6 months to 6 years), Pregnant Women, Lactating Mothers and out-of-school Adolescent Girls (11-14 years).

Above scheme#1 + scheme#2 merged → Mission Poshan 2.0 (2021) under **Women-Child Ministry** with following features: मिशन पोषण के द्वितीय चरण के दिशा निर्देश जारी किए गए।

- ✓ Take-home rations [घर ले जाने के लिए अनाज दाल इत्यादि राशन देंगे]
- ✓ Focus is on the 1,000 days between a mother's pregnancy and her child's second birthday. महिला के गर्भाधान से लेकर बच्चे के दूसरे जन्म दिन तक के कुल मिलाकर 1000 दिनों में पोषण पर जोर दिया जाएगा
- ✓ 📱 **Poshan Tracker Portal:** to monitor — pregnant women, lactating mothers, children and adolescents. 👤 **Boss?** Women-Child Ministry. माता, बच्चों और किशोरीओ के कुपोषण की निगरानी के लिए।
- ✓ 📱 **Poshan Gyan Portal:** national digital repository / knowledge bank / **Wikipedia type thing on nutrition.** 👤 **Boss?** NITI Aayog, in partnership with Bill & Melinda Gates Foundation etc orgs.

What about free meal in schools? Ans. Refer Pillar6B: → HRD Education

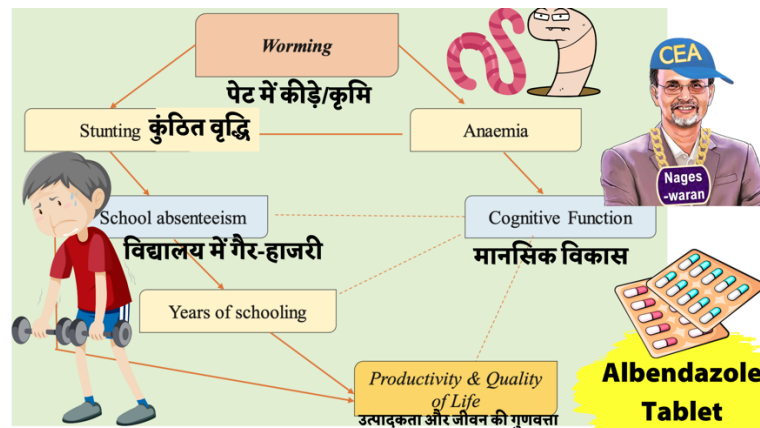


AB CD ? MCQ. objectives of 'National Nutrition Mission' are _____.? (Asked in UPSC-Pre-2017)

1. To create awareness relating to malnutrition among pregnant women and lactating mothers.
2. To reduce the incidence of anaemia among young children, adolescent girls and women.
3. To promote the consumption of millets, coarse cereals and unpolished rice.
4. To promote the consumption of poultry eggs.

Codes: (a) 1 and 2 only (b) 1, 2 and 3 only (c) 1, 2 and 4 only (d) 3 and 4 only

61.21.4 De-Worming important to fight malnutrition says ES23



⇒ intestinal worm infection is caused by a parasite - 'Soil-Transmitted Helminthiasis (STH)'.

⇒ It causes nutritional losses esp. for Vitamin A and Iron.

⇒ Results into stunted body growth in children.

⇒ 2015 onwards: National Deworming Day (NDD) every year on 10 February and 10 August.

⇒ Children/teens aged 1-19 are given Albendazole tablets for De-Worming

राष्ट्रीय कृमि-हटाव दिवस पर बच्चों को दवाई-क्योंकि पेट में परजीवी कृमि/कीड़े से कुपोषण बढ़ता है, शारीरिक वृद्धि कुंठित होती है

61.21.5 🍚👊 Rice fortification / fortified rice

- It means adding micronutrients in the rice, as such Iron, Folic Acid, Vitamin B 12.

- Funding? CENTRAL SECTOR SCHEME =100% funding from Union. valid till Dec-2028.

- This free fortified rice will be provided NFSA/PMGKAY, ICDS etc.

61.21.6 🍴🇮🇹 → Ranking: Global Hunger Index (GHI: वैश्विक भूख/क्षुधा सूचकांक)

Annual reported by Concern Worldwide (Ireland) and Welthungerhilfe (Germany). Previously this report was prepared by IFPRI (International Food Policy Research Institute).

To compute the GHI, they measure four indicators:

1. **Undernourishment:** Population whose caloric intake is insufficient
2. **Child wasting:** low weight for height.
3. **Child stunting:** low height for age. caused by (chronic) long-term insufficient nutrients
4. Child mortality (0-5 age)

🇮🇹 India's rank : 94th (2020) → 101st (2021) → 107 (2022) → 111 (2023) → 105 (2024)



Although NITI Aayog defends, “*International surveys’ methodologies are faulty, otherwise as per Indian Govt’s own surveys there has been improvement in India.*” (वैश्विक संस्थाओं के गिनती करने के तरीकों में ही गलती है, हम गलत नहीं हैं)

2024-report-theme: How gender justice can advance climate resilience and zero hunger

61.21.7  → Ranking: Food/Hunger ke 500 Types/Jaat-ke-Reports

World’s Children report	By UNICEF. Highlighted that in India, every second child is affected by some form of malnutrition (2019)
Global Nutrition Report	Nutrition for Growth (N4G) is partnership between the United Kingdom, Brazil and Japan governments + donors + NGOs → based on their 2013’s summit, group of experts started this annual report. It doesn’t give a composite ‘rank’ but generates ‘profile’. India is profiled as a nation suffering from anaemia and stunting.
State of Food Security and Nutrition in the World report	Annual report by Food and Agriculture Organization (FAO), WHO & a few other org. It uses the Food Insecurity Experience Scale developed by FAO.
Food Waste Index Report 2021 [अन्न बर्बादी सूचकांक]	By United Nations Environment Programme (UNEP). Found that 50 kg of food is waste/thrown away per person every year in Indian homes. Food Waste → Landfill → GHG Emission
Hunger Hotspots Report	By Food and Agriculture Organisation and World Food Programme. Identified Ethiopia, Madagascar, Yemen, South Sudan and Nigeria for hunger problems.
Global Food Security Index	By less-famous body London-based Economist Impact. So poor cost benefit in memorising the India's ranking

 **? MCQ. Which indicator(s) is/are used in Global Hunger Index Report? (Pre-2016)**

- 1) Undernourishment 2) Child stunting 3) Child mortality
Codes: (a) 1 only (b) 2 and 3 only (c) 1, 2 and 3 (d) 1 and 3 only

Next Handout 

- ✓ #6B: Education, Skill Development.
- ✓ #6C: Poverty.
- ✓ #6D: Women & other Weaker Section, UNDP, HDI, SDG



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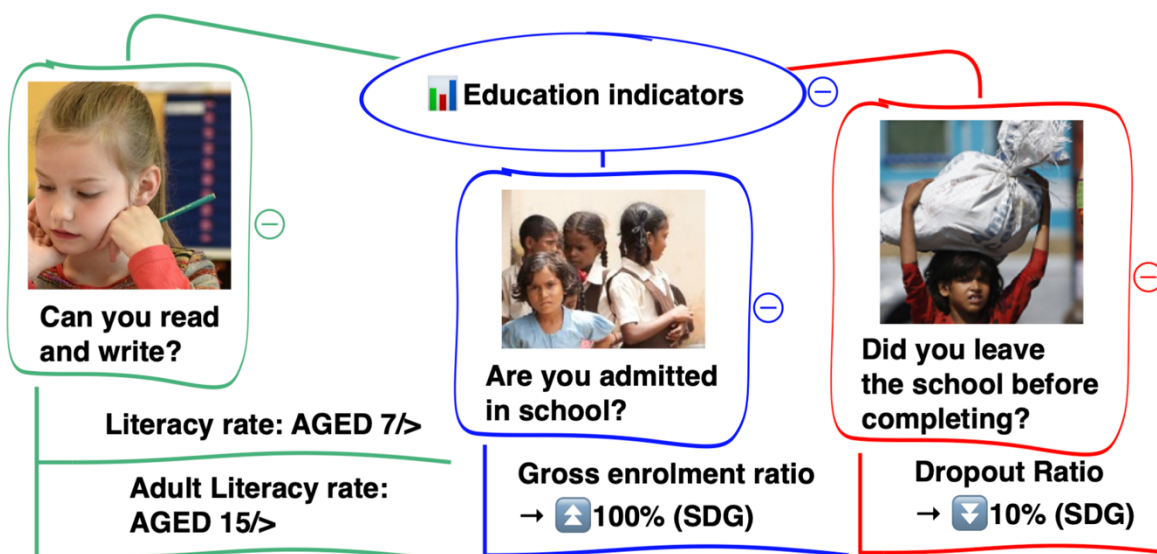


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62 HRD → EDUCATION (शिक्षा)



(Definition) Education is the process of imparting knowledge in a systematic manner, usually at a school or university. एक स्कूल या विश्वविद्यालय में, व्यवस्थित तरीके से, ज्ञान प्रदान करने की प्रक्रिया को शिक्षा कहते हैं।

- Literacy Rate** (साक्षरता दर) = (Person aged 7 or higher who can read & write) / (Total population of age 7 & higher.) Census-2011: 73%. Literacy of urban area > rural ; males > females.
- Adult Literacy Rate** (व्यस्क साक्षरता दर) is measured for age 15 Years and above.
- Gross Enrolment Ratio (GER: सकल नामांकन दर)** = (No. of students enrolled in an age group or std) / (total population in that group).



- I. If GER is ~97% means 3% children are out of school.
- II. If GER is >100% that means some under-age children may have been admitted.
- III. 📁 Budget-2020: GER (girls) >> GER (boys) in all 3 levels i.e. elementary, secondary, higher secondary. Thanks to Beti-Bachao-Beti-Padhao scheme.
- IV. National Education Policy (NEP) 2020 target = 100% GER by 2030 in schools.

Data	Primary GER	Secondary GER	Higher Secondary GER
Economic Survey 2025	93%	77.4%	56.2%

4. **Gender Parity Index (GPI: लिंग समतुल्यता सूची)** for education = ratio of female students enrolled in an age or std-group divided by male students in that group.

62.1.1 School Dropout data from 📁 ES25:

Primary	Upper Primary	Secondary Schools
1.9%	5.2%	14.1%

Dropout rate is the proportion of pupils enrolled in a school year who are no longer enrolled in the next school year. e.g. joined in Class9 but didn't continue for Class10. Factors responsible? →

- ⇒ Not interested in education, lack of aspirations due to traditional gender / societal / occupational norms in a village. (पढ़ाई में रुचि नहीं, गाँव के सामाजिक और लैंगिक बंधनों के चलते जीवन में आगे बढ़ने की आकांक्षा नहीं)
- ⇒ Girls engaged in domestic work / early marriage. Non-availability of girls' toilet
- ⇒ Financial constraints, engaged in child labour activities. (पैसों की किल्लत, बाल मजदूरी)
- ⇒ School is far off / transport / timings not suitable. (परिवहन की समस्या)
- ⇒ Teacher absenteeism, Poor quality of teaching, Tribal students unfamiliar with language/medium. (शिक्षकों की अनुपस्थिति, पढ़ाई के अच्छी गुणवत्ता नहीं, भाषा माध्यम की समस्या)
- ⇒ Dropout rates ↑ after class8 as free mid-day meal stops, while lecture difficulty and family pressure to earn ↑. (आठवीं कक्षा के बाद स्कूल में मुफ्त का मध्यान भोजन नहीं मिलता, बल्कि सिलेबस की कठिनाई और परिवार से पैसे कमाने का दबाव बढ़ता है)

62.1.2 🇮🇳 Retention rate in 📁 ES25:

Retention rate is the % of first-grade students in a school year who are expected to reach the last grade of their level. (e.g., from class 1 to class 12)

Primary (I-V)	Elementary (I-VIII)	Secondary (I-X)	Higher Secondary (I-XII)
85.4%	78%	63.8%	45.6%

62.1.3 SDG Goal 4.1: Universal primary and secondary education

SDG Goal #4: India's baseline in (brackets)	India's SDG Target 2030
Enrollment ratio from class 1 to 10 (75%)	100%
Dropout rate at Secondary level (17%)	10%
% of schools where Pupil Teacher ratio is 30% or less (70%)	100%
Improve Learning Outcomes in Maths, Language, Science	57-67% score in learning outcome



etc subjects at class 5 and class 8 (pathetic)

quiz

62.1.4 🇮🇳 No. Of Schools, students and teachers - 📖 ES25:

2023-24: 24.8 crore students across 14.72 lakh schools with 98 lakh teachers

School Type	% of Total Schools	% of Students Enrolled	% of Teachers Employed
Government	69%	50%	51%
Private	22.5%	32.6%	38%

🧐 FAQ: this data set not adding up to 100% Ans. I don't know, I copied from 📖 ES25. May be some schools not included in this dataset like Minority schools, Madrassas, RSS/Patanjali Schools etc.

62.1.5 🧑🏫 Teacher to Student Ratio

Level	Primary	Upper Primary	Secondary	Higher Secondary
2012-13	34	23	30	39
2021-22	26.2	19.6	17.6	27.1

Thus, the availability of teachers is improving and it will help improving the learning outcomes.

AB CD !? MCQ. According to the Census 2011, find correct? (CDS-2023-i)

1. A person who can only read but cannot write, is not literate.
2. A person aged seven years and above, who can both read and write with understanding in any language is treated as literate.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

62.1.6 📖 Edu → 🧑🏫 [YEARBOOK] Ministry of Human Resource Development/Education

👉 Note: National Education Policy 2020 aims to rename the HRD/Edu Ministry into Education Ministry. So, read the HDT/old schemes/sentences accordingly. अगर किसी लाइन में सुधार करना रह भी गया हो तो आप समझ लेना
मानव संसाधन विकास/ शिक्षा मंत्रालय consists of <list not exhaustive>

Dept	✓ Department of School Education & Literacy स्कूली शिक्षा और साक्षरता ✓ Department of Higher Education उच्च शिक्षा
Attached / subordinate	✓ N/A or not MCQ-worthy
Statutory Bodies वैधानिक संस्थाएं	✓ All India Council of Technical Education (AICTE) Act, 1987. Runs schemes like Pragati, Saksham, Prerana, Samridhi, Ishan Uday for scholarship / research funds to girls, SC/ST, PH, North East students. ✓ University Grants Commission Act, 1956 (UGC: विश्वविद्यालय अनुदान आयोग) → (When bill is passed) Higher Education Commission of India (HECI: भारत का उच्च शिक्षा आयोग).
CPSE सरकारी कंपनी	✓ Higher Education Financing Agency (HEFA) ✓ Educational Consultants of India Limited (EdCIL)
Autonomous	✓ Central Board of Secondary Education (CBSE: केन्द्रीय माध्यमिक शिक्षा बोर्ड)



bodies स्वागत संस्थाएं	✓ National Council for Educational Research and Training (NCERT) ✓ National Institute of Open Schooling (NIOS) ✓ Kendriya Vidyalaya Sangathan (KVS)- it had some seats reserved for recommended by member of Parliament (MP) but this quota removed in 2022. (सांसदों द्वारा नामांकित बच्चों का क्वोटा खत्म) (2) They also launched Project Balvatika / preparatory classes for age group 3 to 5 years. ✓ Navodaya Vidyalaya Samiti (NVS), National Testing Agency (NTA), ✓ National Council for Teacher Education (NCTE), ✓ Indian Council of Historical Research (ICHR), ✓ National Book Trust (NBT). National Bal Bhavan → Bal Kendras ✓ National Institution Of Industrial Engineering (Mumbai)
Advisory सलाह परिषद	Central Advisory Board of Education (CABE) केंद्रीय शिक्षा सलाहकार बोर्ड ⇒ Highest advisory body to advise the Union and State Governments in the field of education since 1920. Chairman: HRD Minister. ⇒ Members: Selected Union ministers, One minister from each state, few MP, heads of education regulatory bodies / research bodies.
Intl. Org	✓ UN Specialized Agency: United Nations Educational, Scientific and Cultural Organization (UNESCO, 1946, HQ: Paris, France)
Misc.	✓ Central Tibetan Schools Administration (CTSA, 1961): to give money for for setting up schools/hostels/scholarship for Tibetan refugee children e.g. at Shimla, Dalhousie, Darjeeling, Kalimpong, Mussoorie and Herbetpur.

62.1.7 **Bodies → NCERT: National Council of Educational Research and Training** founded in 1961. The major units of the NCERT are as follows:

NCERT org.	Location
National Institute of Education (NIE)	New Delhi
Central Institute of Education Technology (CIET)	New Delhi
Pandit Sunder Lal Sharma Central Institute of Vocational Education	Bhopal
Regional institutes of education (RIEs)	Ajmer , Bhopal , Bhubaneswar , Mysuru and Umiam (Meghalaya) .

FAQ: do I have to memorise all this? Ans. I'm not forcing you to memorise. I have given the facts because (A) UPSC ko khujli mchi hai to ask such random Yearbook GK and (B) I've taken fees.

62.1.8 **Bodies → CBSE: Central Board of Secondary Education (1929) ke functions**

- Conducts classes 10 and 12 ke board examinations
- Conducts the Central Teachers Eligibility Test (CTET)
- Admission Test for Navodaya Vidyalayas, Conducts National Achievement Survey
- SAFAL Tests to check learning levels of classes 3,5 and 8.



- Setting Quality standards for Kendriya Vidyalayas and Navodaya Vidyalayas

62.1.9 NIOS: - National Institute of Open Schooling (1989)

It is an 'Open School' to cater to pre - degree level (= learners who cannot go to physical schools and yet want to pass the board exam)

NIOS Exam level	Normal equivalent	NIOS Exam level	Normal equivalent
Level A	Class3	secondary education	Class10
Level B	Class5	senior secondary	Class10
Level C	Class8		

- NIOS also conducts vocational course and, life enrichment programmes e.g. Computer training, office secretary training etc. Radio Vahini FM 91.2 MHz = NIOS ka radio podcast

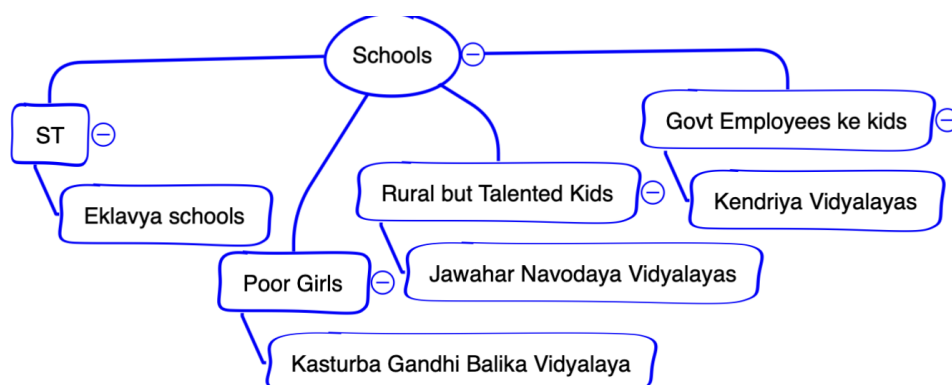
62.1.10 Bodies → Higher Edu → HEFA (2016)

- ⇒ Higher Education Financing Agency (HEFA उच्च शिक्षा वित्तपोषण अभिकरण) is a not for Profit company with shareholding: 91% HRD/Edu Ministry + 9% Canara bank.
- ⇒ HEFA is registered as a Non-deposit taking NBFC with RBI.
- ⇒ HEFA provides loans to IITs, IIITs, NITs, IISCs, AIIMS etc. to upgrade their infrastructure, lab equipments etc. It also gives loan to Kendriya Vidyalayas, Navodaya Vidyalaya.
- ⇒ RISE-2022: Budget 2018 gave more ₹ ₹ to HEFA to give out as loans to those IIT/IIM/NIT etc. for Revitalising Infrastructure and Systems in Education (RISE) by 2022

62.1.11 Bodies → Vedic Edu → Bharatiya Shiksha Board

- ⇒ Presently, CBSE / State Education boards doesn't recognize all the types of Acharyakulam, Vidya Bharati schools (of RSS) and Gurukuls (of Arya Samaj).
- ⇒ So, 2019: HRD/Edu Ministry announced to setup Bharatiya Shiksha Board for standardizing (मानकीकरण) Vedic education with new syllabus, conducting exams and issue certificates.

62.1.12 [YEARBOOK] Notable Schools funded by Union



Kendriya Vidyalayas for kids of govt employees	1962: Kendriya Vidyalayas (KVS) approved - Kendriya Vidyalaya Sangathan was registered as a Society under the Societies Registration Act. - Class 1 to 12, mainly for Govt employees- both in India, even abroad. Boss? Edu Ministry.
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	• Shaala Darpan: e-Governance platform for Kendriya Vidyalayas.
Kasturba Gandhi Balika Vidyalaya	✓ Class 5 to Class 12 Residential (=with hostel) girl school for SC, ST, OBC, Minorities & BPL. Boss? Edu Ministry ✓ reservation? (a) 75 % seats for girls from SC / ST / OBC and minorities. (b) 25% seats for girls from BPL families.
Eklavya schools	Residential schools in high ST % population area. Boss? Tribal Affairs Ministry.
Jawahar Navodaya Vidyalayas	✓ HRD/Edu Ministry's free residential schools for talented rural children from class 6 to 12. (प्रतिभावन ग्रामीण बच्चों के लिए स्कूल. रिहायशी छात्रालय की सुविधा) ✓ Student has to pass an entrance exam to get admission, unlike the above schools. [दाखिला पाने के लिए प्रवेश परीक्षा होती है.] ✓ It is setup under the Society Registration Act , of 1860 , ✓ State / UT govts need to give about 30 acres of land, free of cost to setup these schools.
Seema Darshan	✓ Initiative by HRD + Defence Ministry + Home Affairs Ministry for the students of Kendriya Vidyalayas and Navodaya Vidyalayas. Take them to border area / meet with armed forces to cultivate the spirit of Patriotism.

62.2 🏠🎓👩🏫 NEW/NATIONAL EDUCATION POLICY 2020 (नई शिक्षा नीति)

- ⇒ 1948-49: University Education Commission [विश्वविद्यालय शिक्षा आयोग]
- ⇒ 1952-53: Secondary Education Commission
- ⇒ 1964-66: Education Commission under Dr. D.S. Kothari
- ⇒ 1968: National Policy on Education
- ⇒ 1976: 42nd Constitutional Amendment: Education put in Concurrent List (समवर्ती सूची)
- ⇒ 1986: National Policy on Education (NPE) → modified in 1992.
- ⇒ 2015-16: T.S.R. Subramaniam Committee for education policy
- ⇒ 2017-19: Dr. K. Kasturirangan Committee for education policy

62.2.1 🏠 NEP-2020: Introduction (परिचय)

(Origin) 2017: HRD/Edu Ministry had set up Dr. K. **Kasturirangan** Committee, to replace the education policy of 1986. Based its report, Govt announced a new National Education Policy in 2020 with following salient features: निम्नलिखित मुख्य विशेषताओं के साथ)

62.2.2 🏠♂ Education: Primary- reforms (प्राथमिक शिक्षा में सुधार)

- ⇒ 🎯 **Target:** 100 % Gross Enrolment Ratio (GER) from pre-school to secondary school education by 2030. (सकल प्रवेश अनुपात)
- ⇒ National Mission on Foundational Literacy and Numeracy - to ensure by 2025, all children in class 3 are able to do basic level of reading and maths. (बुनियादी साक्षरता और गणित क्षमता)
- ⇒ 🧠 No rigid separation between academic streams (sci vs commerce etc.) शैक्षणिक धाराओं में भेद नहीं
- ⇒ No rigid separation curricular and extracurricular activities (अभ्यास प्रवृत्तियाँ बनाम पाठ्येतर प्रवृत्तियाँ)
- ⇒ No rigid separation between vocational and academic streams. (व्यावसायिक और शैक्षणिक धाराएँ)
- ⇒ 🛠️ Vocational Education to start from Class 6 with Internships. (व्यावसायिक प्रशिक्षण देगे)

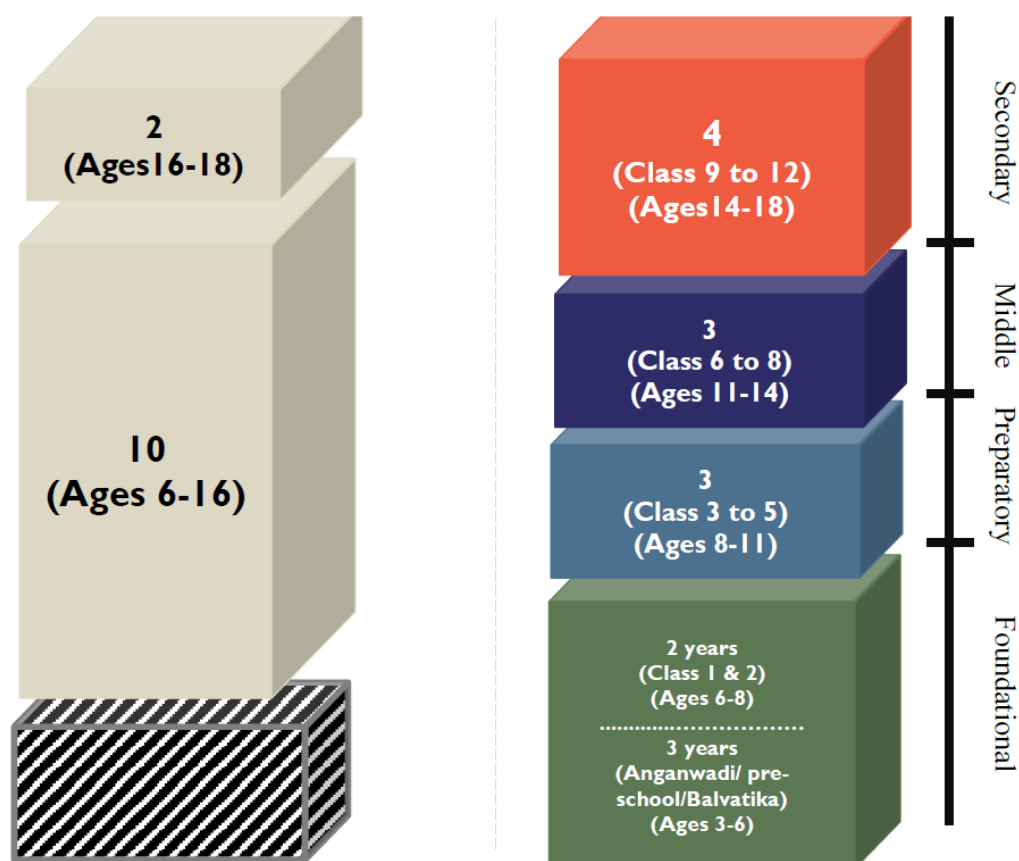


- ⇒ We'll use counsellors & social workers with schools e.g. Psychological counselling, sexual harassment, bullying, depression (बच्चों के लिए मनोवैज्ञानिक परामर्शदाता उपलब्ध कराएँगे)
- ⇒ Open / Distance learning for classes 3, 5 and 8 through NIOS. (दूर - शिक्षण)
- ⇒ Collectively, it will help bring **2 crore** "out of school" children back into the schooling. (बच्चों की स्कूल-वापसी)

Table 1: we will setup these institutes हम ये सब बनाएँगे!

"Bal Bhavans"	These will be special daytime boarding schools with art-related, career-related, and play-related activities.
Samajik Chetna Kendras	Social Consciousness Centres will be setup in the Free (Spare) school infrastructure.
👩‍🎨 Artists- कलाकारों के निवास की व्यवस्था	Colleges, school complex to have Artist(s)-in-Residence. Such artists will promote traditional arts / Lok Vidya.

62.2.3 🏫 Education: Schooling → Curriculum changed (स्कूली पाठ्यक्रम में बदलाव)



Left hand side is also called "10+2". Whereas Right hand side also called "5+3+3+4" (this number indicates the years spent in each stage of the coloured box in right hand side.) 🤖

♂ Education:





- ⇒ For upto class12 NCERT will develop National Curricular Framework for School Education (NCFSE: पाठ्यक्रम की राष्ट्रीय रूपरेखा)
- ⇒ For upto class8 NCERT to develop a National Curricular & Pedagogical Framework for Early Childhood Care and Education (NCPFECCE or ECCE: बचपन की परवरिश और शिक्षा के लिए राष्ट्रीय पाठ्यक्रम और शिक्षा शास्त्र)
- ⇒ Ministries of HRD/Edu, Ministry of Women and Child Development (WCD), Ministry of Health and Tribal Affairs will jointly implement ECCE. (ये तीन मंत्रालय लागू करेंगे)
- ⇒ ECCE to improve syllabus (Curriculum: पाठ्यक्रम) & teaching methodology (=pedagogy: शिक्षा शास्त्र)
- But basically it involves 📉 pressure of rote-learning/coaching classes to pass the exams, ↑ critical thinking ability & emotional intelligence, 21st century skills, scientific temper etc. समालोचनात्मक सोचक्षमता, भावनात्मक बुद्धिमत्ता, 21 वीं सदी का कौशल, वैज्ञानिक स्वभाव। पढ़ाई का बोझ कम करने के लिए विभिन्न कदम लेंगे।
- ⇒ reduce Curriculum to Core Concepts. पाठ्यक्रम में कटौती करके केवल अति महत्वपूर्ण अवधारणाओं को सिखाना

62.2.4 → Early Childhood Care and Education (ECCE) ☒ Aadharshila & Navchetana

Navchetana	Aadharshila
Target Age Group: Birth to 3 years	3 to 6 years
Focus: Holistic development	Play-based learning
Focus on maternal mental health and “Garbh Sanskar” (practices during pregnancy).	Lays foundation for lifelong learning

62.2.5 → ECCE ☒ Poshan bhi Padhai bhi (PBPB)

Anganwadi Workers given training on **Malnutrition**, “Navchetana” and “Aadharshila”.

AB CD MCQ. 'Poshan bhi Padhai bhi (PBPB) was launched under which one among the following programmes? (CDS-2025-1) (a) Integrated Teacher Training Programme (b) Vidya Pravesh (c) Early Childhood Care and Education (d) Samagra Shiksha Abhiyan

62.2.6 🧑🧑 Peer teaching / ‘Student Champions,’

- older / bright students guide younger / weaker students.
- The SARTHAQ (Students’ and Teachers’ Holistic Advancement through Quality Education) guidelines for NEP-2020 emphasis on peer tutoring

62.2.7 Social and emotional learning → Tim Tim Tare (TTT)

- Tim Tim Tare (TTT) gives soft skills for personal growth, effective communication, emotional intelligence, empathy, critical thinking, etiquette, time management, and social well-being.
- It is built on the World Health Organization’s (WHO) Life Skills Framework
- 2009: TTT Started in Tamil Nadu → now expanded to other states in a phased manner.

AB CD MCQ. Find correct about Tim Tim Tare (TTT)? (CDS-2025-2)

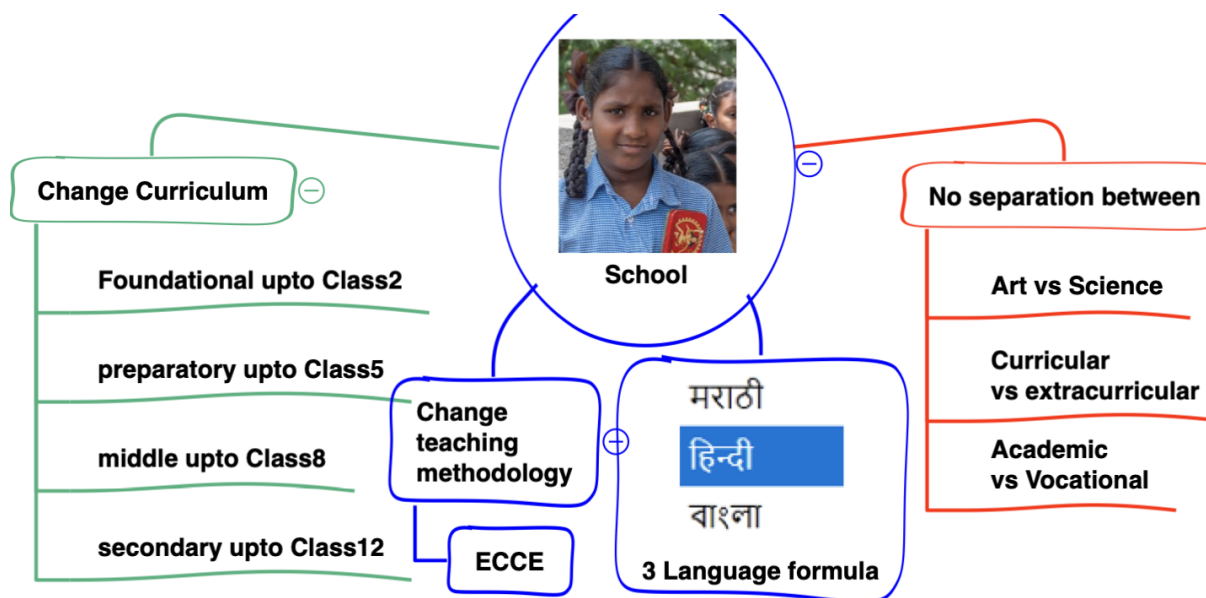
1. TTT aims at imparting essential life skills to adolescent students across India.
2. TTT aims at imparting vocational and technical skills to students across India.

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2



62.2.8 📖 Education: Language / Medium (भाषा / माध्यम)

- ⇒ Teaching in mother tongue/ regional language? Yes upto class5 definitely And we'll try to continue it even upto class8 and beyond. (पांचवी कक्षा तक मातृभाषा या प्रादेशिक भाषा में शिक्षा)
- ⇒ Sanskrit medium to be offered at all levels of school and higher education
- ⇒ @secondary level, we'll also offer foreign languages. (माध्यमिक स्कूलों में विदेशी भाषा में भी)
- ⇒ **Three-language formula** i.e. All students will learn 3 languages in their school. At Least two of the languages must be native Indian. e.g. You may opt for (1) mother tongue: Gujarati/Punjabi/Marathi (2) Hindi/Sanskrit (3) English / French / Russian etc. (3 भाषाओं का सूत्र है या सिद्धान्त)
- ⇒ No language will be imposed on any student. [This is to calm the apprehension of Southern states that students will be compulsory required to learn Hindi. [कोई भी भाषा विद्यार्थियों पर थोपी नहीं जाएगी। शिक्षा नीति में ये बात स्पष्ट रूप से कही गई, ताकि दक्षिण भारत के लोग चिंता में न रहे हिंदी उनको जबरदस्ती सिखाई जाएगी]
- ⇒ **New organizations** will be setup 1) National Institute for Pali, Persian and Prakrit , 2) Indian Institute of Translation and Interpretation (IITI: अनुवाद और निर्वचन).



62.2.9 🏠🔑👤 PM Schools for Rising India (PM SHRI-2022)



- ⇒ Union government will give money for upgrading 14000+ existing schools into PM SHRI Schools (PM ScHools for Rising India).
- ⇒ PM-Shri Schools will have the best quality infrastructure and teaching facility - . labs, smart classrooms, libraries, sports equipment, art room etc.



- ⇒ They will act as role model for the nearby schools in the area.
- ⇒ Union government will give money for the 2022-23 to 2026-27. Afterwards state government/UT Will be responsible for maintenance of these PM-SHRI schools.
- ⇒ Tamil Nadu, West Bengal, Kerala opposed joining → Union stops releasing money for Samagra Shiksha Scheme for them → 2025-Kerala thinking of joining PM-SHRI.

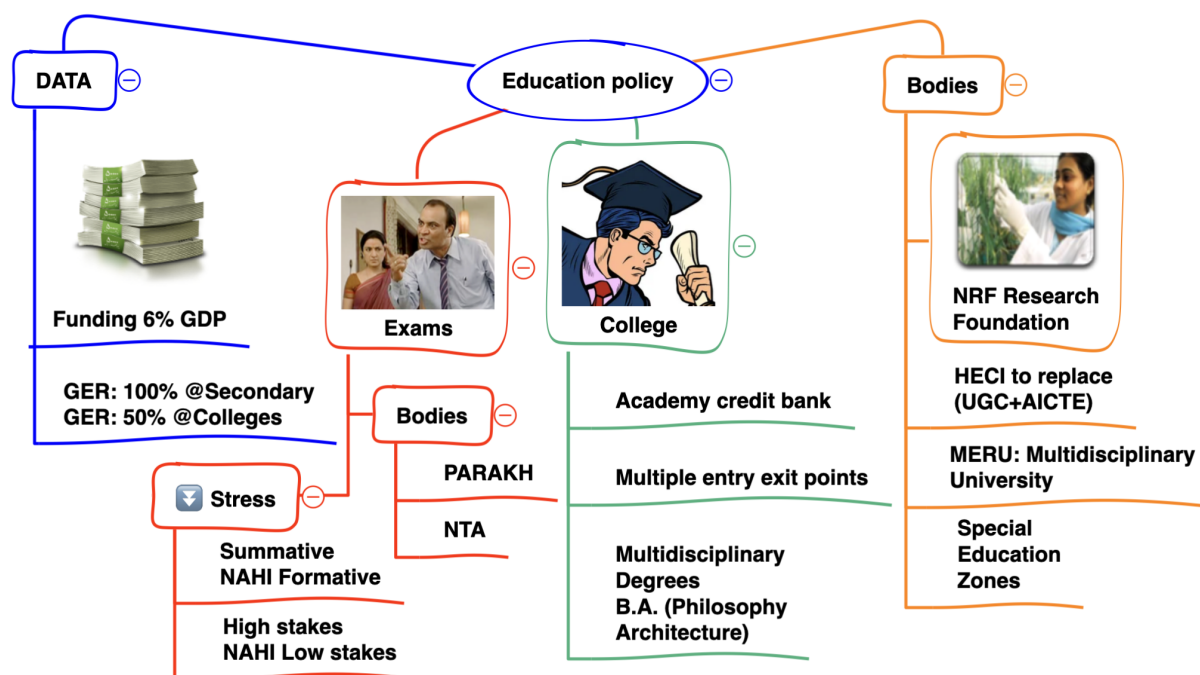
62.2.10 📌 Education: Vocational Education

- 🛠️ Vocational Education to start from Class 6 with Internships. (व्यावसायिक प्रशिक्षण देंगे)
- By 2025, at least 50% of learners through the school and higher education system shall have exposure to vocational education
- Secondary schools will have to collaborate with Industrial Training Institutes (ITIs), Polytechnics, Local Industry, etc. Skill labs will also be set up in the schools

AB CD !? MCQ. Find correct about National Education Policy, 2020: (CDS-2023-I)

1. At least 50 percent of the learners through school and higher education system to get exposure to vocational education by 2025.
2. Secondary schools should collaborate with ITIs, Polytechnics and local industries.
3. Vocational education to be exclusively provided by NGOs.

Codes: (a) 1 only (b) 1 and 2 only (c) 2 and 3 only (d) 1, 2 and 3



62.2.11 🎓 Education: Higher (उच्च शिक्षा)

- ⇒ 🎯 **Target:** Gross Enrolment Ratio (GER: higher education): 26% (2018) → ↑ 50% (2035);
- ⇒ Add 3.5 crore admission seats in higher education. (उच्च शिक्षा में प्रवेश सीटों को बढ़ाया जाए)
- ⇒ Creative combinations of subjects & multi-disciplinary courses to be allowed. e.g. philosophy and architecture, Earth Science and architecture. (अलग-अलग विषयों का रचनात्मक संयोजन)



⇒ At present, most Private colleges are usually affiliated to some universities. Colleges have to follow the admission process and syllabus defined by the university. In the next 15 years gradually more autonomy will be given to colleges in this area. (महाविद्यालयों को अपनी प्रवेश प्रक्रिया और पाठ्यक्रम बनाने में ज्यादा स्वतंत्रता दी जाएगी)

⇒ 🛠️ Vocational education to be integrated. (व्यवसायिक शिक्षण को शामिल किया जाएगा)

62.2.12 🧑🎓 Education: Higher → Credit (गुण आधारित शिक्षा)

⇒ In the USA, a student completes a particular course = gets credit. When he accumulates sufficient number of credits he can get a degree.

⇒ Students can enroll in more courses to earn more credits and finish the college graduation faster. Some Indian universities too adopted the Credit Based Semester System (CBSS).

⇒ 📁 NEP-2020 policy aims to improve it further by creating an "Academic Bank of Credits" with Transfer of Credits. If you enroll in multiple courses / Institutions = your credits will be stored digitally so you can combine them to earn a degree. This organisation was set up in 2021 under Education Ministry. “अकादमिक बैंक ऑफ क्रेडिट” की स्थापना. अलग-अलग कोर्स की पढ़ाई खत्म करने पर गुण दिए जाएंगे, जिसका डिजिटल संचय इस बैंक में होगा. इन गुणों को जोड़कर विद्यार्थी डिग्री हासिल कर सकता है.

⇒ 2022: Govt invited public feedback on the National Credit Framework (NCrF). It aims to integrate 3 level: to help students avail both educational and vocational trainings seamlessly

	National School Education Qualification Framework (NSEQF).
	National Higher Education Qualification Framework (NHEQF)
	National Skills Qualification Framework (NSQF)

62.2.13 🧑🎓 Education: Higher → Entry & Exit (प्रवेश और प्रस्थान)



⇒ IIT: 4 years course = BTech degree. If a student is weak/wants to EXIT after 3 year, IIT will give a Bachelor of Science (BSc) degree. Such proposal was approved in 2019

⇒ so with similar pattern, in NEP-2020 proposed: multiple entry and exit points with appropriate certification. उच्च शिक्षा संस्थान में प्रवेश के बाद अलग-अलग चरणों पर पढ़ाई छोड़ सकते हैं उस हिसाब से आपको प्रमाणपत्र/उपाधि मिले

If you Exit @	What you get? (इस चरण पर कॉलेज छोड़ दिया तो ये मिलेगा)
1 year	Certificate प्रमाणपत्र
2 years	Advanced Diploma उच्च डिप्लोमा
3 years	Bachelor's Degree स्नातक की उपाधि



4 years

Bachelor's with Research अनुसंधान के साथ स्नातक

62.2.14 🎓 UGC's Flexible Degree Completion Options (2024)

New Education Policy's National Credit Framework (NCrF) enables bright students and weak students to move through the syllabus at rates faster or slower than the standard duration of a course. Suppose there is B.Com (honors) degree requiring four years of college, then

ADP - Accelerated Degree programs	EDP - Extended Degree programs
Complete the 4 yr degree faster in three years.	Complete the 4 yr degree slower → stay up to 5 years in college
Meaning, in every semester you have to study more subjects, take more exams, to earn more credits - to complete the total credits.	Meaning every semester you can study less subjects, appear in fewer exams. Then a 4-year degree will be completed in 5 years.
For bright students	For Babushone

- UPSC/State PSC etc. will be required to treat these degrees as normal degrees.
- 🙋 FAQ: In such situation, every student will apply for the ADP to complete degree faster!!??
Ans. There is a quota system i.e. only top 10% brightest students of a class eligible for ADP.

62.2.15 🙋 Education: Higher → New Orgs → HECI

🙋 BEFORE (पहले की प्रणाली)	🙋 AFTER (भविष्य की प्रणाली)
⇒ Multiple Regulators in the higher education sector for example UGC, AICTE, Medical Council of India (later replaced with National Medical Commission (NMC), Bar Council of India etc.	Higher Education Commission of India (HECI: भारत का उच्च शिक्षा आयोग) will be set up ⇒ as a single umbrella body for entire higher education, excluding medical and legal education (Bar council). भारत का उच्च शिक्षा आयोग- जोकि चिकित्सा और वकालत के अलावा सभी उच्च शिक्षा कार्यक्रमों का नियंत्रण करेगा ⇒ It will penalise Higher education Institutions (HEIs) For violating the rules. (नियमों का उल्लंघन करने वाले उच्च शिक्षा संस्थानों पर जुर्माना /दंड)
UGC / AICTE officers would demand bribes during inspections/ for approving the funds (उच्च शिक्षा पर नियंत्रण के लिए विभिन्न संस्थाएं थी जिन के अफसर प्रत्यक्ष निरीक्षण के बहाने रिश्वतखोरी करते थे.)	It will do faceless inspection with technology = 📄 scope for bribery, similar to Faceless assessment in Income Tax dept. (फेसलेस निरीक्षण)
Govt colleges may not be subjected to as strict rules as private sector colleges. (सरकारी कॉलेजों पर गुणवत्ता के नियंत्रण निजी कॉलेजों जितने सख्त नहीं थे, उनकी खामियों और गलतियों को नज़रअंदाज़ किया जाता था।)	Both Public and private higher education institutions will be governed by the same set of rules. (सरकारी और निजी सभी संस्थानों पर एक समान नियम लागू होंगे.)

HECI to have four independent verticals (4 स्वतंत्र इकाइयां होंगी)-

1. National Higher Education Regulatory Council (NHERC) for regulation. नियंत्रण के लिए एक संस्था



2. General Education Council (GEC) for standard setting, मानक बनाने के लिए एक संस्था
3. Higher Education Grants Council (HEGC) for funding, अनुदान के लिए एक संस्था
4. National Accreditation Council (NAC) for accreditation. मान्यता के लिए एक संस्था

👉 above fullforms may be IMP4UGC-NET, but not so much for IAS.

62.2.16 🎓 UGC-allocation cut by >50% in Interim-Budget-2024:

- UGC allocation by Budget-2023= over ₹5000+ cr → Interim-Budget-2024= ₹2500 crore.
- Thus, govt decreased budget allocation to UGC by >50% bcoz, govt plans to bring in a new regulator — the Higher Education Commission of India (HECI) to replace UGC.

62.2.17 🧑🎓👨🎓 Education: Higher → New Orgs → Others

🧑🎓 MERU	Similar to IITs & IIMs, the Govt will set up Multidisciplinary Education and Research Universities (MERUs: बहु-विषयक शिक्षा एवं संशोधन के लिए विश्वविद्यालय)
🧑🎓 NRF	National Research Foundation will be created as the apex body for research in India. संशोधन के लिए उच्चतम संस्था बनाई जाएगी
🧑🎓 University Definition	we'll expand the definition of university to include more institutions that offer Research-intensive and Teaching-intensive courses.
🧑🎓 Ministry renamed	Ministry of HRD to be renamed as M/o Education “मानव संसाधन विकास मंत्रालय” का नाम बदलकर “शिक्षा मंत्रालय” किया गया
SARTHAQ	⇒ It is name of the plan to implement NEP-2020. ⇒ ‘SARTHAQ’ = Students’ and Teachers’ Holistic Advancement through Quality Education. नई शिक्षा नीति को अमल करने के लिए जो प्लान बनाया गया उसका नाम है सार्थक
(OUTDATED) SATH-E	⇒ It was NITI Aayog roadmap to improve school education (2017-20) ⇒ Initially it targeted 3 states: Jharkhand, Madhya Pradesh and Odisha

62.2.18 🧑👴👵 Education: Adult/PH (प्रौढ़ शिक्षा और विकलांग शिक्षा)



- ⇒ 🎯 Target: 100% Adult Literacy. संपूर्ण प्रौढ़ साक्षरता
- ⇒ We'll focus on life-enrichment programs. (जीवन-संवर्धन कार्यक्रम)
- ⇒ We'll prepare a National Book Promotion Policy to encourage writing, publishing and reading of good books. (राष्ट्रीय पुस्तक संवर्धन नीति- अच्छी किताबें लिखी जाए प्रकाशित की जाए पढ़ी जाए)
- ⇒ We'll prepare a uniform/standard Indian Sign Language (ISL) across the country for students with hearing impairment. बधिर छात्रों के लिए भारतीय सांकेतिक भाषा.



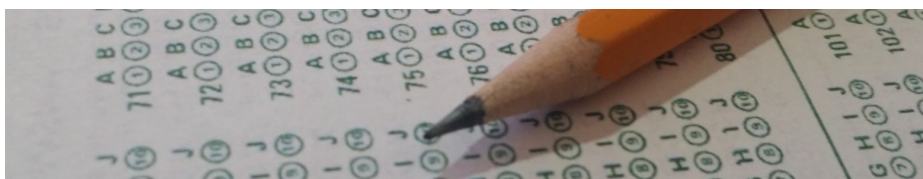
62.2.19 🧑🎓 Education: Open/Distance/E-Learning (दूर - शिक्षण/ई शिक्षा)



- ⇒ We'll provide open learning for classes 3,5 and 8 through NIOS.
- ⇒ We will encourage more online / distance learning courses using Massive Open Online Courses (MOOCs) technology.
- ⇒ E-learning content in Regional Languages. प्रादेशिक भाषाओं में ई-शिक्षण सामग्री
- ⇒ Divyang (PH) Friendly Education Software. विकलांगों के लिए शैक्षणिक सॉफ्टवेयर

New Org: NETF	⇒ National Educational Technology Forum (NETF)
	⇒ for idea exchange on how to use Technology for improving the learning, exams, administration of school/colleges.
	⇒ राष्ट्रीय शैक्षिक प्रौद्योगिकी फोरम- शिक्षा, परीक्षा, स्कूल प्रबंधन में प्रौद्योगिकी का बेहतर इस्तेमाल

62.2.20 🇮🇳 📊 Assessment of students (छात्रों का मूल्यांकन)



360 degree Holistic Progress Card to track Student Progress (समग्र विकास कार्ड के साथ मूल्यांकन प्रक्रिया)

AB CD 🧑🎓 BEFORE	AB CD 🧑🎓 AFTER
Summative Assessment Exams = only at the end of semester / year checking factual / memory based knowledge. सत्रांत परीक्षाएं जिसमें सिर्फ याददाश्त / रटने का मूल्यांकन होता है	We'll encourage Formative Assessment = During the class- ask oral questions, give homework assignment etc to check student's analytical/critical thinking, and conceptual clarity. [रचनात्मक आकलन ताकि विद्यार्थी की विश्लेषण और वैचारिक स्पष्टता को जांच सके]
BOARD EXAM = test of memory & factual knowledge. High stake exam: life and death situation if 99% not scored. बोर्ड की परीक्षा: जुए का ऊंचा और जोखिम भरा दांव जिसमें बाजी जिंदगी और मौत की लगी हो.	Board exams will test core concept and 'application of knowledge'. It'll be made 'low-stake' (e.g. school assignments marks may be counted, more admission opportunities even with low score etc) विद्यार्थी की रटने की क्षमता नहीं किंतु वैचारिक स्पष्टता, ज्ञान के अनुप्रयोग को परखा जाएगा. बोर्ड परीक्षा में अच्छे गुण ना मिले तो भी "जिंदगी-बर्बाद"- उस जोखिम को कम किया जाएगा।

62.2.21 🇮🇳 🧑🎓 Assessment of students: bodies (मूल्यांकन/परीक्षा के लिए संस्थाएं)

new body	National Assessment Centre called 'PARAKH' (Performance Assessment, Review, and Analysis of Knowledge for Holistic Development) for setting
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	assessment standards. परीक्षा में मूल्यांकन कैसे करना है उसकी मानक तैयार करने की संस्था
 existing body NTA	National testing agency will continue to function and will offer common entrance exams for admission in various college। अलग-अलग कॉलेजों में दाखिले के लिए सामान्य प्रवेश परीक्षा

62.2.22 HPC Report card by NCERT / Parakh

- **Boss?** NCERT → standard-setting body named 'Parakh' (Performance Assessment, Review, and Analysis of Knowledge for Holistic Development (PARAKH)).
- Traditionally, students are given an academic report card that focuses mainly on their exam scores. But, Holistic Progress Card, or HPC - Will have following unique features:

Stakeholder	input in HPC card
Student's own input	will be asked to self evaluate their attitude towards studies e.g. "I liked doing this work" or "I found this work easy".
Fellow-classmates/peers	their input will be taken on student's performance/behaviour in class.
Parents' inputs	will be taken e.g. (1) child did homework on time? (2) screen time: how much time child spent on TV/Mobile?

Teacher will write strength and weakness of the student in HPC card, as follows:

Strength	Weakness
ability to "collaborate", "follow instructions", show "creativity" or "empathy", etc	"lack of attention", "peer pressure", "lack of preparation"

Thus, HPC report card will provide teachers and parents with insights to help each student.

62.2.23 Assessment of schools (स्कूलों का आकलन)

States/UTs to setup State School Standards Authority (SSSA: स्कूल मानक के लिए राज्य का प्राधिकरण).

⇒ These bodies will require schools to disclose information e.g. how many seats/facilities/fees in your school, how is your school's board exam result etc. → This will ↑ public oversight and accountability. स्कूलों ने अनिवार्य रूप से अपने विद्यार्थियों की संख्या, बोर्ड परीक्षाओं में परिणाम, फीस इत्यादि अलग-अलग जानकारी देनी होगी जिससे सार्वजनिक निगरानी तथा जवाबदेही बढ़ेगी

62.2.24 Teachers recruitment and training (शिक्षकों की भर्ती और तालीम)



- ⇒ by 2030: Minimum degree qualification for teachers = 4-year integrated B.Ed. (न्यूनतम योग्यता)
- ⇒ National Council for Teacher Education (NCTE) + NCERT to design as new framework for Teacher Education (NCFTE: शिक्षकों की तालीम/शिक्षा के लिए राष्ट्रीय रूपरेखा)
- ⇒ National Council for Teacher Education (NCTE) will design National Professional Standards for Teachers (NPST: राष्ट्रीय व्यावसायिक मानक)
- ⇒ Teachers' Recruitment will be made more transparent, merit based promotions, they will be



given more operational freedom in teaching etc. (भर्ती प्रक्रिया ज्यादा पारदर्शी, योग्यता आधारित पदोन्नति, पढ़ाने में ज्यादा स्वतंत्रता)

⇒ A National Mission for mentoring the (College) teachers. With help of senior/retired faculty.

👉 Above fullforms / features not imp for UPSC but for UGC-NET/TAT

62.2.25 🏠💰 NEP-2020: Funding (शिक्षा क्षेत्र के लिए वित्तपोषण)



⇒ Union Budget's Expenditure on Education as % of GDP= 2.8% annually from 2014 to 2018. Then 3% (2019), 3.5% (2020)

⇒ Union+State's total public investment in education currently about 4.4% of GDP. NEP aims to ↑ to 6% of GDP at earliest. (शिक्षा में सार्वजनिक निवेश को बढ़ाकर सकल घरेलू उत्पाद के 6% तक किया जाएगा)

⇒ We'll expand & reform National Scholarship Portal to cover more SC/ST/OBC, and other Socially and Economically Disadvantaged Groups (SEDGs) such as women, transgender, etc. (कमजोर वर्ग को छात्रवृत्ति देने के लिए विभिन्न सुधार)

⇒ Gender Inclusion Fund to improve education of girl child. (लैंगिक समावेशन निधि)

⇒ Special Education Zones for disadvantaged regions and groups (विशेष शिक्षा क्षेत्र)

⇒ We will encourage private colleges to give scholarship to students (छात्रवृत्ति)

62.2.26 🏠👤 NEP-2020: Criticism (नई राष्ट्रीय शिक्षा नीति के खिलाफ आलोचना/निंदा)

⇒ Not enough clarity about funding mechanism and fees regulation, so, it'll only encourage privatization / commercialisation of higher education. (पैसों का कोई खास प्रावधान नहीं. शिक्षा का निजीकरण)

⇒ Not enough focus on girl education, weaker section. कन्या और कमजोर वर्ग का शिक्षण पे खास ध्यान नहीं

⇒ Teachers demand related to permanent jobs, good salaries and suitable work conditions not mentioned. (शिक्षकों के लिए स्थाई नौकरियां, अच्छी तनख्वाह -के बारे में कोई बात/ जिक्र नहीं)

⇒ Only lip service about emotional needs of the students, depression and suicide due to excessive competition. (छात्रों की भावनात्मक जरूरतों के बारे में सिर्फ दिखावे के लिए चिकनी चुपड़ी बातें)

⇒ Doing Sanskrit promotion for RSS-BJP agenda- says opposition parties. (संस्कृत का अनावश्यक प्रसार)

⇒ X/Y/Z Good Recommendation of the previous committee/ best practices from the foreign country are not adopted. (अन्य देश और अन्य समिति की अच्छी बातों को शामिल नहीं किया)

62.2.27 🏠 NEP-2020: Conclusion (शिक्षा नीति के बारे में निष्कर्ष)

✓ SDG goal#4 aims for inclusive, equitable quality education and promote lifelong learning opportunities for all. समावेशी, समान गुणवत्ता वाली शिक्षा और सभी के लिए आजीवन सीखने के अवसरों को बढ़ावा देना।

✓ With aforementioned reforms, NEP-2020 will surely help in a long way to universalize the education, reap demographic dividend and achieve SDG Goal#4. उक्त सुधारों द्वारा नई शिक्षा नीति वाकई में शिक्षा के सार्वजनिककरण, जनसांख्यिकीय लाभांश को हासिल करने और सतत विकास लक्ष्य में मदद करेगी/उपयोगी होगी

AB CD ? Which is NOT correct regarding the National Education Policy 2020? [IES-2021]



- (a) It proposes sweeping changes in the Education system from pre-primary to PhD and skill development.
- (b) universities from among top 100 in the world will be able to set up campuses in India
- (c) It expects that India will achieve **60% GER** by 2030
- (d) It suggests NAAC to be merged with UGC and AICTE

62.3 🏠📚 PRAGYATA GUIDELINES ON DIGITAL EDUCATION (2020-JUL)



Figure 1: पूरा दिन कंप्यूटर पर पढ़ाई करके मेरी आंखें दुख रही हैं 😞

- ⇒ By HRD/Edu-Ministry ई शिक्षा के बारे में दिशानिर्देश
- ⇒ Corona lockdown= 240 million Indian children unable to go to school.
 - **Synchronous** digital education: This is real-time (live) teaching. (जीवंत प्रसारण)
 - **Asynchronous** digital education: non-real time e.g. article, recorded TV program.
- ⇒ **PRAGYATA** guidelines = eight steps of e-learning: Plan- Review- Arrange- Guide- Yak(talk)- Assign- Track- Appreciate.

Class	Screen-time Recommendation (Synchronous/ Live classes)
Pre Primary	not more than 30 minutes.
Classes 1 to 8	Not more than two lectures of 30-45 minutes each
Classes 9 to 12	Not more than four lectures of 30-45 minutes each on the days

- ⇒ Further individual school-teachers should not be required to teach more than 2 to 3 hrs of online/day
- ⇒ Do's and Don'ts to ensure physical wellbeing (Back pain, eye strain), Mental health and wellbeing, Cyber safety, Digital privacy. शारीरिक पीठ दर्द, आंखों का तनाव, मानसिक स्वास्थ्य, साइबर सुरक्षा, डिजिटल गोपनीयता/निजता।

62.4 🍴👧👦👨🏫 EDU → STD1-8 → MID-DAY MEAL SCHEME (MDM-2001-2020)



- **Boss? Ministry of Human Resource and Development / Edu Ministry**
- मध्यान भोजन योजना is a Core Scheme (Not 100% funded by Union). 60:40, 90:10.
- Govt provides foodgrains & ₹ ₹ for buying kitchen utensil, hiring cooks etc.
- MDM gives free hot cooked meal to child in every govt / govt aided school / Madarsas / Maqtabas (=Islamic school) upto class 8 for min. 200 days a year.

Lower primary (std.1 to 5)	Min. 450 Calories and 12 gram of protein
Upper primary (std.6 to 8)	Min. 700 Calories and 20 grams of protein



- ++ food security allowance to students if MDM can't be provided due to non-availability of food/cooks. [पका पकाया खाना नहीं दे पाए तो बच्चे के परिवार को पैसा दिया जाएगा]
- 🍷 **Benefit?** Ensures nutritional security & class attendance of poor children.
- Sub-component: **Tithi Bhojan** → People can contribute ₹ ₹ / food / sweets to school children to celebrate important days such as child birth, marriage, birthdays etc. (लोग शुभअवसरो पे दान में दे).
The concept has been adopted by different states with local names like *Sampriti Bhojan in Assam*, *Dham in Himachal Pradesh*, *Sneh Bhojan in Maharashtra*, *Shalegagi Naavu Neevu in Karnataka*, *Anna Dhanam in Puducherry*, *Priti Bhoj in Punjab* and *Utsav Bhoj in Rajasthan*.

🍷 **MDM Challenges?** 1) Siphoning of rations by teachers, slum children run away from school after taking lunch, food prepared in unhygienic surroundings, 2) goons mix poison / pesticides, 3) villagers resist hiring of Dalit cooks etc. 4) During Corona, schools closed down but students not given take home ration or food allowance in many schools.

62.5 📐 🍷 🍷 🍷 🍷 **EDU → STD1-8 → PM POSHAN (2021-2026)**



2021-Oct: Modi announced that above MDM scheme will be known as PM Poshan Scheme:

Mid-Day Meal Scheme	PM Poshan (POshan SHakti Nirman)
Covered Class1-8 in Government schools & Government aided schoolschildren to be given one hot-cooked meal.	Same MDM scheme henceforth known as PM Poshan Scheme with validity of 2021-22 to 2025-26 (पुरानी योजना को आपसे ये नाम दिया है)
Did not cover Pre-school children (e.g. Anganwadi/Bal-Vatika). Those poor kids got free food under ICDS/ Mission Poshan.	They'll also get food under PM Poshan. (पूर्व प्राथमिक स्तर के आंगनवाड़ी बच्चों को भी खाना मिलेगा)
⇒ Tithi Bhojan: community donation	Same continued [ये सब जारी रहेगा]
No specific mention [पहले की योजना में ऐसा कोई खास जिक्र नहीं था]	Government to develop school nutrition gardens. Schoolkids to grow fruit/vegetables/ grains etc. → use it their food [विद्यालय पोषण बगीचे बनाए जाएंगे जहाँ बच्चे खुद फल सब्जी इत्यादि उगाएंगे और खाएंगे]
No specific mention [पहले की योजना में ऐसा कोई खास जिक्र नहीं था]	- Cooking competition [खाना पकाने की स्पर्धा] - Farmer producer organizations (FPO: Ref 4A) and Village self help groups (SHG) to be used for supplying cooking ingredients. [किसान उत्पाद संगठन और



Mid-Day Meal Scheme	PM Poshan (POshan SHakti Nirman)
	स्व सहायता समूहों की मदद भी ली जाएगी]
Social Audio only done in few schools depending on enthusiasm of authority.	- Compulsory Social Audit for all schools by local public e.g. whether school giving proper food to kids or not? [स्थानीय लोगों द्वारा सामाजिक लेखा परीक्षण] - college student may also be used for monitoring. [निगरानी के लिए कॉलेज छात्रों की भी मदद ली जाएगी]

🗣️ Criticism: (1) National Education Policy (NEP) 2020 recommended breakfast in schools but not done in new scheme. [राष्ट्रीय शिक्षा नीति में तो सुबह का नाश्ता भी देने की बात थी, लेकिन नई योजना में ऐसा नहीं किया] (2) social audit of food quality not done in many states.

62.5.1 🍌 PM Poshan – food allotment and funding

Student Category	Pulses (grams)	Vegetables (grams)	Oil (grams)
Balvatika and Primary	20	50	5
Upper Primary	30	50	7

Per meal cost under the scheme is:

- Balvatika and Primary classes: ₹11.54; **Upper Primary** classes: ₹16.74
- Union provides (a) 100% cost of food-grain and (b) 100% cost of food-grain transport from FCI depots to schools.
- Food material cost is linked with Consumer Price Index – Rural Laborers (CPI-RL)

62.6 🏠👩🏫👦 EDU → STD1-8 → SARVA SHIKSHA ABHIYAAN (SSA-2001)



- **Boss? Ministry of Human Resource and Development / Edu Ministry**
- Core Scheme (Not 100% funded by Union) महत्वपूर्ण योजना.
- **2002:** 86th Constitutional Amendment Act: inserted (संवैधानिक संशोधन अधिनियम)
 - Article 21A → Fundamental right to free and compulsory education to all children aged 6-14. मुफ्त और अनिवार्य रूप से शिक्षा का सभी बच्चों को मौलिक अधिकार
 - Article 51A (k) → Fundamental duty of parent/guardian to ensure above thing.(कर्तव्य)
- **2004:** Union created non-lapsable fund (अव्यय निधि) under Public Account 'Prarambhik Shiksha Kosh'. It receives ₹ ₹ from the education cess levied on direct taxes.
- **2009:** Right of Children to Free and Compulsory Education Act (निःशुल्क एवं अनिवार्य शिक्षा अधिनियम का बाल अधिकार) to operationalise above thing. Including 25% reservation to Economically Weaker Section (EWS) in private schools. (आर्थिक रूप से कमजोर वर्ग के बच्चों को निजी स्कूलों में आरक्षण भी दिया गया)



- 2001: PM Vajpayee had launched Sarva Shiksha Abhiyan (SSA). Over the years it was modified & updated to achieve aforementioned constitutional & legal obligations. ₹ ₹ for construction of schools, free uniforms & textbooks, teachers recruitment, computer lab, library etc.

62.6.1 📐👩🏫🧑🏫 Sarva Shiksha Abhiyan (SSA) → Notable Subscheme / Programs

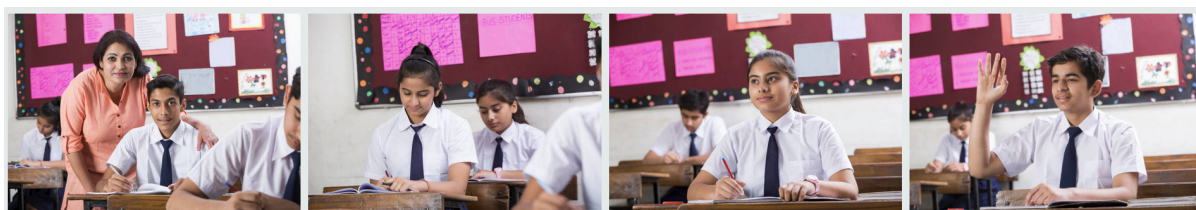
Name	Description
Shagun Portal	Shagun = Shala + Gunvatta = School quality. So, this portal is for Online monitoring of schools under SSA.
Padhe Bharat Badhe Bharat (2014)	Improve quality of Govt primary schools esp. Class 1 & 2 by 1. Min. 4 hrs per day teaching of maths, reading writing. Extra teaching hrs / mentoring to students who are weak in it. 2. Min. Pupil-Teacher Ratio (PTR) 30: 1 3. Min. 200 school working days. 4. Min. 75% attendance of students, Min. 95% attendance of teachers
NIPUN BHARAT 2021	To improve the foundational literacy and numeracy of Class3 students by 2026-27. Nipun Bharat = National Initiative for Proficiency in Reading With Understanding And Numeracy तीसरी कक्षा के बच्चों पढ़ने और गणित की बुनियाद को बहेतर करो योजना
Rashtriya Avishkar Abhiyan (2015)	Motivate 6-18 years children to pursue Science, Maths, Technology by organizing science melas, extra mentoring to bright students etc.
Vidyanjali	Involve volunteers like NRIs, retired teachers, govt officials, defence personnel, professionals, etc. in primary govt schools for teaching & co-scholastic activities e.g. play acting, preparing story books 📖 ES23: more than 1 lakh volunteers helped schools in mentoring of gifted children, teaching vocational skills, providing ceiling fans and water purifiers, gifting digital devices & musical instruments, self-defence training to schoolgirls, etc.

AB CD ? MCQ. What is the purpose of Vidyanjali Yojana? (Asked in UPSC-Pre-2017)

1. To enable the famous foreign educational institutions to open their campuses in India.
2. To ↑ quality of education in govt schools by taking help from the pvt sector & community.
3. To encourage voluntary monetary contributions from private individuals and organizations so as to improve the infrastructure facilities for primary and secondary schools.

Codes: (a) 2 only (b) 3 only (c) 1 and 2 only (d) 2 and 3 only

62.7 📐👩🏫🧑🏫 EDU → STD. 9-12 → RMSA (2009) माध्यमिक शिक्षा



- Rashtriya Madhyamik Shiksha Abhiyan is Core Scheme (Not 100% funded by Union).



- **Boss? Ministry of Human Resource and Development / Edu Ministry**
- 2007: Union created non-lapsable fund under Public Account '**Madhyamik and Uchchatar Shiksha Kosh (MUSK)**'. It receives ₹ ₹ from the education cess levied on direct taxes.
- RMSA aims for 100% universal retention upto class 10 by 2020. (=noone should 'dropout' before class10, सब बच्चों ने कम से कम दसवीं शिक्षा तक पढ़ाई करनी चाहिए स्कूल नहीं छोड़ना चाहिए)
- ₹ ₹ for building school, library, laboratory, computer lab, toilets & hostels for girls, teachers recruitment & salary etc.etc.

62.7.1 🧐🤔🤔📖📖 CBSE: Syllabus reduction (पाठ्यक्रम में कटौती)

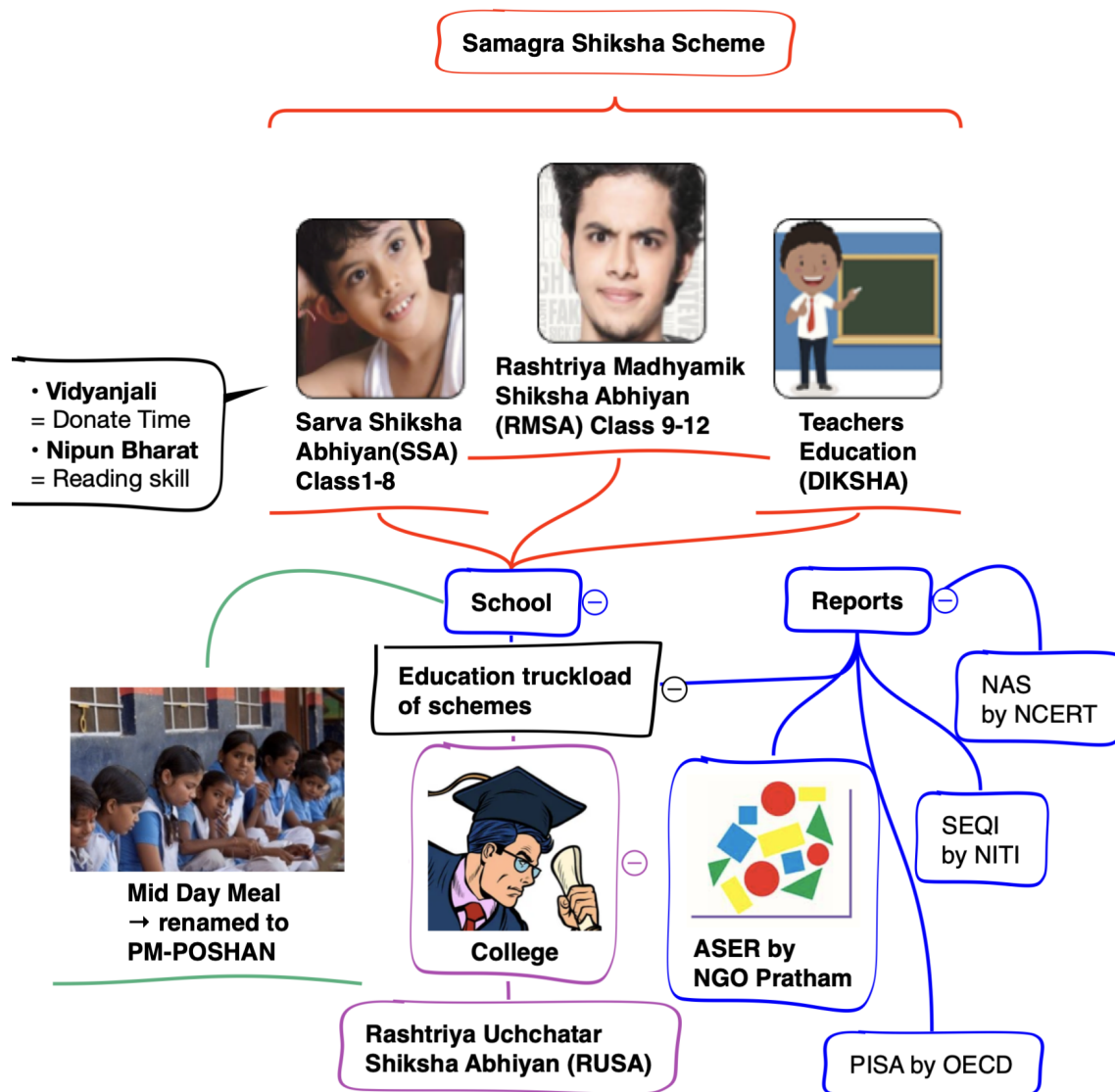
- ⇒ CBSE 📖 class 9 to 12 syllabus by 30% for 2020-21 Academic year to 📖 the burden of students during Corona lockdown
- ⇒ 🤔 **Controversy?** Federalism, Nationalism, Secularism and other important topics were also dropped from syllabus. (संघवाद, राष्ट्रवाद, धर्मनिरपेक्षता जैसे अति महत्वपूर्ण मुद्दों को अभ्यासक्रम से हटाया गया)
- ⇒ CBSE clarified this is only one time step for 2020-21 only. So in future these topics may be re-added. (सिर्फ एक बार के लिए लिया गया कदम है)
- ⇒ 2021: Board Exam cancelled ki daily commentary but now it is outdated news.

62.8 📖👩👦👦 EDU → STD. JR.KG TO 12: SAMAGRA SHIKSHA SCHEME (2018)

Before Budget 2018 →	After Budget 2018
Boss HRD/Edu Ministry → National Education Mission with 3 sub-schemes 1. Sarva Shiksha Abhiyan(SSA), 2. Rashtriya Madhyamik Shiksha Abhiyan (RMSA) also called National Secondary Education Campaign. 3. Teacher Education (TE) → and its "DIKSHA" digital portal for teachers training. Funding? Centrally Sponsored Scheme → Core Scheme = Not 100% funded by Union. 60:40, 90:10	Previous schemes are henceforth merged into a single scheme covering pre-school to std12 ⇒ It'll be called Samagra Shiksha Scheme- Integrated Scheme for School Education (विद्यालय शिक्षा हेतु समेकित योजना) ⇒ More focus on e-learning, skill development, funding, stipend etc. Boss & funding pattern remains the same as before i.e. 60:40, 90:10

AB CD MCQ. Which of the following are subsumed under "Samagra Shiksha"? (GPSC-2025)

1. Sarva Shiksha Abhiyan 2. National Secondary Education Campaign 3. Teacher Education
Codes: (A) 1 and 2 only (B) 1 and 3 only (C) 2 and 3 only (D) 1, 2 and 3



62.8.1 🏫 2019: NISHTHA scheme for Teachers training (2019)

- ⇒ Sub-component under Samagra Shiksha Scheme. [शिक्षकों की तालीम के लिए]
- ⇒ For training of teachers and headmasters. They'll also be sensitized & trained for gender rights, PH-students' rights, and the Protection of Children from Sexual Offences (POCSO) Act.
- ⇒ NISHTHA – National Initiative for School Heads' and Teachers' Holistic Advancement

NISHTHA 2.0 (2021)	online training course for teachers on DIKSHA e-portal. Target? for secondary / senior secondary level teachers
NISHTHA 3.0	To train primary school teachers, so they can improve the reading and maths skill of kids.
NISHTHA 4.0 (ECCE)	to train the master trainers so they can train other teacher.
ECCE	Early Childhood Care and Education (ECCE): extra classes to improve reading/maths skills by class3.



National Award to Teachers	★ given since 1958 for primary , middle and secondary school teachers. - award of ₹ 50,000 / - and a silver medal .
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AB CD MCQ. Which one of the following statements is correct about NISHTHA (CDS-2-2024)

(a) It is a training in LBSNAA for civil servants. (b) It is a teacher-training programme. (c) It is a training for Delhi Police (d) It is a workshop for newly elected Lok Sabha MP.

62.8.2 Samagra Siksha → DIKSHA Portal for E-learning

- DIKSHA Digital Infrastructure for Knowledge Sharing (DIKSHA) , launched in 2017 ,
- Target Audience? teachers , students and parents
- E-learning according to prescribed school curriculum.

62.8.3 🏠👤 Samagra Shiksha: Notable components/ initiatives

Note: it is possible that some of these schemes are already running from the earlier Congress years, but henceforth they will be considered a part of Samagra Siksha. So kindly do not raise queries about the inconsistency in chronology/timeline.

SS Initiative	features
Atal Tinkering Labs (ATL)	research/innovation labs in the school with class 6–12. ₹10 lakh given for lab-infra. Only the good performing schools given this fund.
Salary & funds	(1) Financial Support for Salary of all teachers (2) Salary for Hindi language teachers in North Eastern and non - Hindi speaking states. (3) - Library Grant, - Sports Grant
Girl Child	Kasturba Gandhi Balika Vidyalayas (KGBV) with hostel facility up class12. self - defence training to the girls in the schools
E-learning	DIKSHA portal
Prashikshak	online portal for teachers training (2016). However, nowadays, DIKSHA is the main portal used for this purpose.
free textbooks,	upto class8, all children will be given free textbooks.
Rashtriya Avishkar Abhiyan	to increase love for science and mathematics among students aged 6 to 18 years .
e - Pathshala	NCERT books are available for free in digital version on e - Pathshala app .
Pariksha Pe Charcha	PM interacts with students , parents , teachers in India and abroad interact to address their stress/concerns about exam. Normally face-to-face interaction, but during Corona digital interaction.
GANIT Week	• Growing Aptitude in Numerical Innovations & Training (GANIT) • in CBSE-schools to promote maths, to commemorate the birth



anniversary of Srinivasa Ramanujan -on 22nd December (also called National Mathematics Day)

62.9 🕌 MADRASSA EDUCATION

62.9.1 → Madrasa ☑ Union govt funding

Union Education Ministry gives upto ₹50 lakhs to Madrasa / Maktabas / Dar - ul - Uloom for following purposes:

- teaching formal subjects , i.e . , Science , Mathematics , Social studies , Hindi and English
- if such institution joins NIOS [National Institute of Open Schooling] → then NIOS will conduct board exam, so muslim student gets formal certificate for class10–12 etc. Which can help him in college admission and job application.

62.9.2 🕌 Madrasa → Assam madrasahs converted into middle English (ME) schools

- 1995 onwards: various laws passed by Assam state legislature to provide funding and salary to Madrasas and its teachers.
- 2021: BJP CM Himanta Biswa Sarma said State govt cannot bear the expenditure of religious education. → previous State laws were repealed to stop Madrasa funding.
- by 2023: Assam government has converted and renamed 1,281 madrasahs into middle English (ME) schools.

62.10 💰 SCHOLARSHIP FOR CLASS9-12 → NMMSS & NSIGSE

Note: previously, the family income condition and Scholarship amount were lower but in 2022–23, education Ministry updated it. So if my notes' facts do not match other Books = it is not typing mistake on my part.

Matter	👤👤 National Means - cum - Merit Scholarship Scheme (NMMSS)	👤👤 National Scheme of Incentive to Girls for Secondary Education (NSIGSE)
Launched	2008. Continued till 2025–26	2008. But critics alleged govt stopped giving money since 2018.
Classes	Class 9–12	Class 9–12
Beneficiary?	- class 9–12 ke bright student from poor family [if parent income not more than ₹ 3.50 lakh per year]	(1) SC/ST girl (2) All girls from Kasturba Gandhi Balika Vidyalayas (irrespective of SC/ST status)
Scholarship Exam / Test?	Yes, State/UT Govt will conduct an exam/test to identify bright students.	No exam to get this scholarship.
Scholarship	₹ 1000/- from class9–12	Union deposits ₹3000 fixed deposit in girl's bank account. Girl can withdraw it IF ONLY two conditions met simultaneously:



Matter	👩🎓 National Means - cum - Merit Scholarship Scheme (NMMSS)	👩🎓 National Scheme of Incentive to Girls for Secondary Education (NSIGSE)
		(1) She completes class9–12 AND (2) She remains unmarried till age of 18

- since 2015: scholarship money transferred directly to the bank account of the student linked with Aadhaar card via Public Financial Management System (PFMS- ref Pillar2A)
- National Scholarship Portal (NSP) to help students apply for these scheme.
- 100% funding by Union. State government not required to contribute money.
- Boss? Edu ministry → Department of School Education and Literacy

62.11 EDU (📊🇮🇳) → RANKINGS FOR SCHOOL EDUCATION



62.11.1 Annual Status of Education Report ASER Report by NGO Pratham

- ⇒ Latest ASER-2022 Report (released in 2023-Jan)
- ⇒ percentage of children attending government school increased from 65% (2018) to 73% (2022) because poor parents cannot afford the fees of private schools. (सरकारी स्कूलों में पढ़ने वाले बच्चों की संख्या बढ़ी है. क्योंकि निजी स्कूल की फीस मां-बाप भरने में असमर्थ हो रहे हैं. क्योंकि कोरोनावायरस के नौकरी धंधे चौपट हो गए थे)
- ⇒ only 20% class3 kids can read class2 books. (तीसरी कक्षा के मात्र 20% बच्चे ही दूसरी कक्षा की किताब पढ़ पाते हैं)

62.11.2 Education reports- Misc.

Table 2: School Ranking → other notable reports | DONOT LOOSE SLEEP

PISA by OECD	Programme for International Student Assessment (PISA) is a test conducted by OECD every 3 yrs to check 15-yr-old students in reading, maths and science. - 2009: India got very poor score so boycotted tests in next seasons (2012, 2015, 2018). - 2019: India signed agreement with OECD to conduct it in 2021.
NAS by CBSE/ NCERT	• Since Govt doesn't like ASER/PISA methodology (or their findings!!) so- • Education Ministry publishes its own National Achievement Survey (NAS) survey to assess kids in class 3, 5, 8 and 10 • Test-paper is designed by NCERT and Test-Exam is conducted by CBSE.
SEQI by NITI	NITI Ayog's School Education Quality Index (SEQI) - doesn't have any MCQ worthy components.
PGI by Edu Ministry	- by EDUCATION Ministry for 2019-20. To monitor performance of school. It collects data from - 1) Unified District Information System for Education Plus (UDISE), - 2) National Achievement Survey (NAS), 3) Mid-Day Meal. - Ranking: It has 10 levels. Level 1 indicates top-notch performance. No state had reached Level 1. Punjab achieved highest score and Meghalaya



	lowest score. विद्यालय गुणवत्ता परीक्षण के लिए शिक्षा मंत्रालय का PGI सूचकांक जिसमें पंजाब को सबसे ज़्यादा और मेघालय को सबसे कम अंक मिले हैं
World Bank	⇒ Ending Learning Poverty report: It defines Learning poverty as being unable to read and understand a simple text by age 10. (शैक्षणिक गरीबी) ⇒ For India, it's 54.8% of children's aged 10 suffer from 'learning poverty'. Sweden barely 2%

62.12 **EDU → NO DETENTION POLICY & RTE AMENDMENT 2019**

- RTE Act 2009: Section 16: 'No child can be failed till class 8'.
- Although students have to be examined under Continuous and Comprehensive Evaluation (CCE: सतत और व्यापक मूल्यांकन) wherein teacher gives them assignments, essay writing, personal mentoring & remedial classes for weak students. (असाइनमेंट, निबंध लेखन, व्यक्तिगत सलाह)
- But Govt school teachers don't have time / energy / morale due to low salary / contractual job / Election / Census / Yoga-day / Khelo India / Mann-Ki-Baat & other auxiliary duties e.g. Bihar teachers required to do morning patrolling to stop open defecators with torchlight and whistles under Swatchh Bharat Mission. (बहुत सारी सरकारी सर्वेक्षण और योजनाओं के काम शिक्षक से करवाए जाते हैं)
- So, CCE done for namesake, every student is passed casually till class 8 → students become very lax in studies → pathetic scores in ASER survey. [सिर्फ कागजी दिखावे के लिए ये क्रिया की जाती थी]
- Finally, Govt woke up & enacted Right of Children to Free and Compulsory Education (Amendment) Act, 2019 that from now onwards:
 - Regular exam @class 5 and 8. [परीक्षा होगी. हवा में पास करके आगे नहीं चढ़ा देंगे]
 - If student fails → re-test within 2 months → if he again fails → State Govt may hold (detain) him in the same class for another year. So 'yes detention policy' (बच्चा उस परीक्षा में असफल हुआ तो उसी कक्षा में एक साल और रोकना होगा..)

62.12.1 **RTE amendments - 25% quota vs State rules to avoid it vs Bombay HC**

- RTE requires (1) Private schools to give 25% admission quota of Class 1 students to "weaker section and disadvantaged group in the neighbourhood. (2) Pvt School need to give fee concession to these quota students (3) State government need to pay subsidy to the private school to cover up the fee-concession/fee-loss.
- Kerala (2011), Karnataka (2018), Maharashtra (2024) : These state govts made rules - if there is a govt school within 1 km radius of the private school, then private school need not give admission quota. (यदि किसी निजी स्कूल के एक किलोमीटर दायरे में सरकारी स्कूल मौजूद हो. तो फिर उसे निजी स्कूलों ने गरीब और कमजोर वर्ग के विद्यार्थियों को 25 प्रतिशत आरक्षण नहीं देना होगा।)
- 2024-May: Bombay HC stays above step taken by Maharashtra State Govt.

62.12.2 **RTE amendments - other**

Right of Children to Free and Compulsory Education Act, 2009 provides for free and compulsory education for children between the age of 6 to 14 years in India. here are its important amendments

Amendment	Provision
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2012	RTE Act shall not apply to Madrasas , Vedic Pathshalas and educational institutions that are giving religious training.
2017	technical amendments related to qualification of teachers.
2019	changes in the “no detention policy”. State government can take exam at 5th and 8th standard, and failed students may be required to repeat the same class again.

62.12.3 🎓 Edu → CBSE Class12 Result 30:30:40 formula

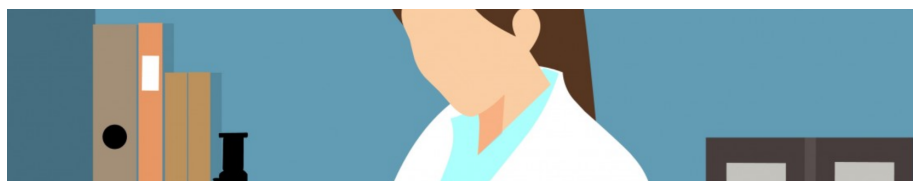


कोरोना के चलते 10-12th की बोर्ड परीक्षाएं हुई रद्द। तो फिर बच्चों को आगे की कक्षा/कोलेज में दाखिला कैसे मिलेगा
 Corona-2021: Central Board of School Education (CBSE) cancelled the Class12 board exams.
 Student to get marksheet based internal exam using the 30:30:40 formula. How it worked? NOTIMP

62.12.4 📖 CBSE's open-book exams (OBE) in Class9 from 2026–27

- An open-book exam allows students to use textbooks & class notes, rather than mainly testing memory. (खुली किताब से परीक्षा, रद्द मारने की जगह समज-शक्ति की कसौटी।)
- 1950s: introduced in Hong Kong to reduce exam-stress.
- 2019: AICTE allowed it in engineering colleges.
- 2020–21: during corona JNU, DU, Jamia Millia etc used OBEs.
- 2020: National Education Policy (NEP) does not use the word “Open-book Exam”, but it aims to move away from rote memorisation and towards competency-based learning.
- 2026–27: CBSE to do OBE in Class9.

62.13 📖 AB CD 100 🧐 Edu → NATIONAL TESTING AGENCY (NTA) & NEET



- 2017: (NTA) setup as an autonomous body under HRD/Edu Ministry, registered under Indian Societies Registration Act, 1860. राष्ट्रीय परीक्षण एजेंसी
- Initially, NTA given ₹ 25 cr. then it's supposed to be self-sustained (by charging exam fees)-
- **Structure:**
 - Board of Governors → Chairman: A noted educationist. Members: From the institutes for which NTA conducts entrance exam. [अध्यक्ष एक जानामाना शिक्षाविद होना चाहिए]
 - A CEO / Director General for day to day affairs. [रोज़ का काम देखने के लिए]



Earlier CBSE conducted JEE, NEET & UGC NET entrance. NTA's task is to conduct those exam (online), and then expand itself to conduct other exams as well. Presently, NTA conducts →

1. **Engineering:** Joint Entrance Examination (JEE)
2. **Medical:** National Eligibility Cum Entrance Test (NEET: राष्ट्रीय पात्रता व प्रवेश परीक्षा): twice a year from 2019. It replaces the erstwhile All India Pre-Medical Test (AIPMT).
 - a. NEET remains in controversy because of the age limit criteria, stringent security checks, wrong questions/ wrong translation, alleged injustice to non-English medium students, Tamil Nadu Govt opposed. (तमिलनाडु का इल्जाम कि हमारे गैर-अंग्रेजी माध्यम के बच्चों के साथ अन्याय)
 - b. 2022: Maximum age limit for appearing in NEET-UG exam is removed. (आयु मर्यादा खत्म)
3. **UGC National Eligibility Test (NET)** for Assistant Professorship & Research Fellows: twice a year.
4. **Pharmacy:** Graduate Pharmacy Aptitude Test (GPAT)
5. **Management courses:** Common Management Admission Test (CMAT)
6. **Hotel Management Joint Entrance Examination**
7. **Central University Entrance Test (CUET):** to get admission in 45 Central universities.

62.14 **EDU → HIGHER EDU: COLLEGES & UNI. (उच्चतर शिक्षा)**



(Origin/Data) There were only 20 universities and 500 colleges at the time of independence - which have ↑ ↑ by more than 50x times in universities and more than 80x times in colleges.

62.14.1 **Higher Edu → RUSA renamed as PM USHA (2024)**

- Boss? Edu Ministry → Department of Higher Education
- centrally sponsored core scheme. Both Union + States also need to give money.
- ₹ ₹ for new colleges, faculty recruitment, research grants, scholarship etc.
- 2013: Rashtriya Uchchatar Shiksha Abhiyan (RUSA) launched for higher education.
- 2024: renamed as Pradhan Mantri Uchchatar Shiksha Abhiyan (PM-USHA).
- covers govt and government-aided institutions of the States and UTs
- It has been updated as per provisions of National Education Policy 2020 (NEP). e.g. focus on funding for market-linked courses, industry connects, student internships, etc; rigorously tracking and monitoring employability outcomes, promote e-learning/ virtual learning etc.

62.15 **LOANS FOR HIGHER EDUCATION**

62.15.1 **PM-Vidyalaxmi scheme for meritorious students in higher education**

- Boss? Education ministry
- IF you secured admission in a college that has NIRF Ranking within Top-860 higher education institutes.



- then, if such student wants to avail education loan, he/she can apply under this scheme.
- Type of loan: collateral-free, guarantor-free education loans
- Credit guarantee: 75% by Government.
- 3 % Interest subvention by Govt (if family income up to ₹8 lakh/per year)
- **Scheme validity:** 2024–31

62.15.2 PM-USP CSIS: full interest maaf on education loan

- **Boss?** Education ministry
- Pradhan Mantri Uchchatar Shiksha Protsahan - Central Sector Interest Subsidy (CSIS)
- Loan interest paid by govt, If college student's annual family income up to ₹ 4.5 lakhs

62.15.3 Higher Education other schemes

IoE	⇒ Budget 2016: We'll develop 10 Public + 10 private = 20 Institutions with world class teaching & research facilities. ⇒ We'll give them 1000 cr over the next 5 year & call them 'Institutions of Eminence' (IoE) उत्कृष्ट संस्थान. ⇒ Edu Ministry + UGC invited applications from institutes → N. Gopalaswami Committee shortlisted SIX IoE (2018): 3 from private + 3 from public. ⇒ 🤖 Controversy because Jio Institute (Reliance Foundation), Pune also shortlisted as a 'greenfield project' but they've not even started the institute yet. Later, they even announced more institutes. Ball by ball
Deemed to be University	⇒ Based on UGC advise, HRD/Edu Ministry grants "Deemed to be University" status to an institute, then it gets freedom in deciding courses, syllabus, admissions and fees. [ये संस्थान अपना अभ्यासक्रम, प्रवेशनिति, फीस इत्यादि तय कर सकता है] ⇒ Deemed Universities can also grant degrees on their own. During UPA raj, many institutes given this tag, later 40+ found deficient in faculty & infrastructure so blacklisted. [हालांकि ऐसी की संस्थाओं में बुनियादी सुविधा और शिक्षकों की कमी] ⇒ 2017: SC ordered such institutes can't use 'university' tag. So, Manipal University need to use the term 'Manipal Academy of Higher Education' etc.
Sanskrit Univ	Central Sanskrit Universities Act, 2020 to convert following institutions into 'Central Universities' [केंद्रीय विश्वविद्यालय कानून] - 1) Rashtriya Sanskrit Sansthan, New Delhi, - 2) Shri Lal Bahadur Shastri Rashtriya Sanskrit Vidyapeeth, New Delhi, - 3) Rashtriya Sanskrit Vidyapeeth, Tirupati (👉 BUT MORE IMP for UGC-NET exam, less for IAS exam)



62.15.4 📊🇮🇳 Edu → Higher Edu: Number of institutes as per 📅ES23

Institution	2014	2022
Medical Colleges	387	648
MBBS Seats	51,348	96,077
IITs	16	23
IIMs	13	20
IIITs	9	25
Universities	723	1,113

Table VI.13: Students' enrolment in higher education

(in crore)

Year	Male	Female	Total
2016-17	1.9	1.7	3.6
2017-18	1.9	1.7	3.6
2018-19	1.9	1.8	3.7
2019-20	2.0	1.9	3.9
2020-21	2.1	2.0	4.1

62.15.5 ✅🏠🎓📅ES25 on Higher education

Gross Enrollment Ratio (GER)	(2014-15)	(2021-22)	NEP Goal
18-23 years	23.7%	28.4%	50% by 2035

Then, the economic survey wrote a lengthy essay with data on India's colleges and MBBS education issues, which is more relevant for the mains than the prelims.

62.15.6 📊🇮🇳 Edu → Higher Edu: Ranking by Education Ministry

- Atal Ranking of Institutions on Innovation Achievements (ARIIA): It gives rankings for different different types of institutes viz. 1) ranking Centrally funded technical institutions (eg IITs, NITs, etc) 2) State Universities 3) State Standalone Technical colleges 3) Private Universities 4) Private Standalone Technical Colleges 5) Non-Technical Government 6) Private Univs.
- All India Survey on Higher Education (AISHE)
- National Institutional Ranking Framework (NIRF) done annually since 2016. Separate rankings for following categories- overall, universities, engineering, management, college, pharmacy, medical, architecture, law, dental and research institutions. usually Overall #1= IIT Madras.

62.15.7 📊🇮🇳 Edu → Higher Edu: Ranking : Misc

🇮🇳 NAAC rating	⇒ National Assessment and Accreditation Council (NAAC) is a body funded by UGC that evaluates colleges & universities on A++ to D rating. ⇒ Edu Ministry provides mentoring to institutions seeking NAAC Accreditation under a scheme called "Paramarsh"
QS Ranking	Quacquarelli Symonds (QS) World University Rankings by UK based org - Usually following organizations tend to be Top-200 ranking- IIT-Bombay, IIT-Delhi, Indian Institute of Science (IISc, Bengaluru).

📅ES20: Indian students spend US\$ 5.0 billion (2018-19) in foreign universities' education, hostel etc. if we want to reduce current account deficit, we must reduce such 'education (service) imports'.

62.16 🧐😬📅🎓 EDU → PORTALS/APPS/ORGS → POST-CORONA

PRASHAST App	by Education Ministry. - To monitor 21 disability conditions among
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	school-children & generate school-wise report. (बच्चों में विकलांगता जाँचने के लिए)
NISHTHA 4.0 (ECCE)	Teacher training programme for Early Childhood Care and Education. Aims to train 25 Lakh teachers at pre-primary and primary level.
Abhyas app	National Testing Agency (NTA)'s mobile app for IIT-JEE mock tests.
VidyaDaan 2.0 (2020-April)	HRD/Edu Ministry portal To help the educators contribute e-learning content via DIKSHA portal
YUKTI 2.0 कोरोना संशोधन के बारे में	Young India Combating COVID with Knowledge, Technology and Innovation (YUKTI) is HRD/Edu Ministry's portal for sharing info about: Research, Innovation, Technologies, Startup (संशोधन, नवपरिवर्तन, तकनीक, स्टार्टअप) esp. those related to Corona
Bharat Padhe Online (2020-April)	HRD/Edu Ministry campaign for Crowd sourcing of Ideas for Improving Online Education ecosystem of India
SAMARTH	⇒ It is an open source Enterprises Resource Planning (ERP) software. उद्यम संसाधन आयोजन के लिए बना सॉफ्टवेयर ⇒ Helps keeping track of student attendance, teacher salary, fees collection, exam score etc. It is developed by the HRD/Edu Ministry ⇒ under the National Mission of Education in Information and Communication Technology Scheme (NMEICT). =Such microscopic technical preparation = NOTIMP
STARS program by World Bank विश्व बैंक द्वारा आर्थिक सहायता	⇒ Who? World Bank, Education Ministry, Department of Economic Affairs (DEA, FinMin), ⇒ What? \$500 million to ↑ school education in six States viz Himachal Pradesh, Kerala, Madhya Pradesh, Maharashtra, Odisha, and Rajasthan. ⇒ For Strengthening Teaching-Learning and Results for States' (STARS)
GOAL Project	Facebook + Tribal Affairs Ministry to skilling and mentorship of ST youth through online mode.
Global Edu Monitoring (GEM) Report	by UNESCO. 2020-June Corona affected the access to education of 1.5 billion students across the world. Poor suffered the most because of no access to internet. Plus lots of data but poor cost-benefit in chasing it
Global Education Coalition	launched by UNESCO. 2020-May To coordinate educational activities during Post-Corona
Yuva 2.0	Competition for the young authors to get their book published with the help of national book trust (NBT) (युवा लेखकों को मौका देने के लिए।)
Akhil Bharatiya Shiksha Samagam (2022)	It was a summit at Varanasi by the Ministry of Education in association with the UGC and Banaras Hindu University. The event brought together over 300 Vice Chancellors and Directors from public and private



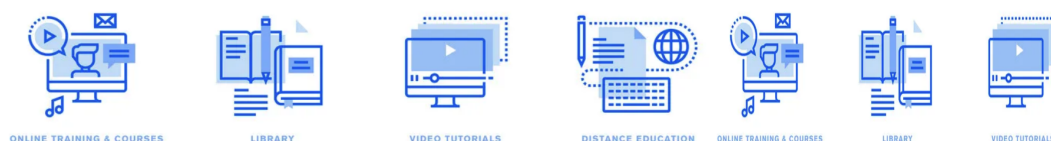
universities- said ES23.

62.17 EDU → MISC. PORTALS / INITIATIVES (BEFORE CORONA)

62.17.1 Edu → Misc: School infra/result monitoring

Shaala Saarthi portal	⇒ To collaborate with NGO, Corporates for sharing innovative practices running schools. अच्छे प्रबंधन प्रणालियों को साझा करना
Shaala Siddhi portal	⇒ Help the Schools in their self-evaluation. विद्यालयों का स्व मूल्यांकन
UDISE+	⇒ HRD/Edu Ministry's portal for Unified District Information on School Education जिला स्तर पर विद्यालय शिक्षा की जानकारी

62.17.2 Edu → SWAYAM Portal



- ⇒ 2017: Edu Ministry's free Massive Open Online Courses (MOOCs) portal for school, college courses. Anyone can join and learn online for free.
- ⇒ SWAYAM = Study Webs of Active-Learning for Young Aspiring Minds.
- ⇒ National Programme on Technology Enhanced Learning (NPTEL) is an initiative by 7 IITs + Indian institute of science (IISc). They've launched many free courses on SWAYAM portal.
- ⇒ 2019: Version 2.0 launched which offers 1) courses translated in Indian languages 2) online degrees 3) better features etc.
- ⇒ e-PGPathshala : For credit (marks) database for SWAYAM courses.

62.17.3 SWAYAM E-learning portal → 4 components

- (1) Video lectures ; (2) Downloadable reading material
- (3) Self assessment online tests / quizzes. [If u want certificate then u've to pay fees & go for offline test at their centre]
- (4) Online discussion forum for doubt resolutions.

62.17.4 SWAYAM Plus Platform for industry-ready courses (2024)

- will offer courses developed collaboratively with the famous companies such as L&T, Microsoft, CISCO etc.
- subjects: Manufacturing, Energy, Computer Science and Engineering/IT/ITES, Management Studies, Healthcare, Hospitality and Tourism
- IIT Madras will be operating the 'SWAYAM Plus' Platform.
- Certificates / Credit to be given by industry players.
- Credit points will be added in academic bank of credits of the student.

MCQ. Which of the following is not a part of the SWAYAM programme? (CDS-2023-I)

- (a) Video lectures (b) Classroom lectures (c) Online discussion forum for clearing doubts
- (d) Specially prepared material that can be downloaded/printed

MCQ. 'SWAYAM', an initiative of the Govt of India, aims at: (Asked in UPSC-Pre-2016)

- a) promoting the Self Help Groups in rural areas



- b) providing financial and technical assistance to young start-up entrepreneurs
- c) promoting the education and health of adolescent girls
- d) providing affordable and quality education to the citizens for free

62.17.5 Edu → E-learning → Misc:

Digital University	⇒ Budget-2022: we'll setup a Digital University for students across country in local languages. So they can earn degree from anywhere in India.
PM E-Vidhya	⇒ For digital/online/ on-air (TV) education. It includes → ⇒ One Nation, One Digital Education (DIKSHA) Platform. ⇒ One Class, One TV channel through Swayam Prabha TV Channels ⇒ Budget-2022: we'll launch these TV channels for Class-1 to 12.
e-Pathshala	⇒ Portal By NCERT to provide textbooks in e-books, audiobooks format.
SWAYAM PRABHA	⇒ HRD/Edu Ministry's project to run 32 DTH channels for education e.g. 'IITPAL' TV Channel to assist the class11-12 students prepare for IIT entrance exam.
ODB	⇒ Operation Digital Board (ODB): HRD/Edu Ministry to create minimum 2 smart classes for every Secondary/Senior Secondary schools by 2023.
E-Gyankosh	⇒ massive open online course (MOOC) portal by IGNOU.
E9 Initiative	⇒ UNESCO to focus on 9 countries for Digital Education viz. Bangladesh, Brazil, China, Egypt, India, Indonesia, Mexico, Nigeria and Pakistan. This will help in achievement of SDG4 – Education by 2030. ⇒ United Nations Educational, Scientific and Cultural Organization is a specialised agency of UN. (HQ: Paris, France, Founded in 1945)
DigiSaksham	⇒ Labour Ministry's scheme for digital skills for youth with help of Microsoft
NEAT (2019)	⇒ by the All India Council for Technical Education (AICTE), ⇒ National Education Alliance for Technology (NEAT), ⇒ PPP with ed-tech companies to help the poor students to get computer related courses and devices. पिछड़े वर्ग और गरीब वर्ग के बच्चों को कंप्यूटर के कोर्स और साधन मिल सके उसके लिए सरकारी योजना

62.17.6 Edu → Misc: Anti-ragging / life values/mental health



Manodarpan	Edu ministry provides psycho-social support to students, teachers and parents
AntiRagging	App by University Grants Commission (UGC) to complaint against ragging.
Deeksharambh 2019	⇒ HRD/Edu Ministry's (higher education) Student Induction Programme. UGC prepared guidelines for it e.g. setting up mentor groups, physical fitness & hobby groups, interaction with teacher before start of semester etc. so freshers become comfortable in college.



Jeevan Kaushal	⇒ UGC designed this Curriculum for Life Skills (Jeevan Kaushal) for Undergraduate to give them Life Skills e.g. communication skill, interpersonal skill, time management, problem solving ability, decision making capacity, leadership ability [संवाद कौशल, समय प्रबंधन, समस्या निवारण, निर्णय क्षमता, नेतृत्व क्षमता को बेहतर करने के लिए]
Mulya Pravah	ethical guidelines by UGC for college administration e.g. nepotism in recruitment, Library books purchase mein corruption etc.

AB CD ? MCQ. Find correct Statements. [UPSC-IES-2021]

1. NISHTHA is a teachers training program.
2. SVANidhi is a scheme to facilitate artisans to access affordable working capital load.
3. SATYABHAMA is a scheme to promote research and development in science and technology.
4. Manodarpan is a scheme to promote tourism in rural parts of India.

Codes: (a) 1 and 3 only (b) 2 and 4 only (c) 3 and 4 only (d) 2 only

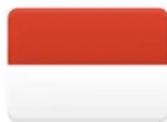
62.17.7 Edu → Misc: Startup ke liye

NEAT	⇒ National Educational Alliance for Technology (NEAT). HRD/Edu Ministry ties up with Edutech companies for personalized learning through Artificial Intelligence (AI) [कृत्रिम बुद्धिमत्ता की मदद से ऑनलाइन शिक्षा]
Smart Hackathon 2017	⇒ HRD/Edu Ministry's annual competition inviting youth to develop hardware / software solutions to address problems faced by Govt organizations, PSUs and even NGOs.
ASIIM, 2020	⇒ Social Justice ministry to support 1000 Start-ups of Scheduled Caste (SC) youth over next 4 years via venture capital fund.
KAPILA	⇒ Edu Ministry training college students on how to file patents

62.17.8 Edu → Misc: Teachers' training

ARPIT initiative	⇒ Annual Refresher Programme in Teaching for online training of college faculty. [कॉलेज अध्यापकों की तालिम]
EQUIP five year plan	⇒ HRD/Edu Ministry's five year plan to improve higher education in 2019-2024. [उच्च शिक्षा संस्थानों को बेहतर करने के लिए शिक्षा मंत्रालय की 5 साल की योजना]

62.17.9 Edu → Misc: NRI/foreign teachers/students ko bring to India?



VAJRA 	Ministry of Science & Technology pays ₹ ₹ to get NRI/Overseas scientist faculties to come & teach in India under VAJRA (Visiting Advanced Joint Research) scheme. [विदेशों से भारतीय प्रोफेसरों की अस्थायी घर वापसी]
GIAN Network	⇒ HRD/Edu Ministry's Global Initiative for Academics Network (GIAN) portal helps students connect with national & foreign faculty, industrialists for knowledge sharing. [विद्यार्थी देश-विदेश के अध्यापकों और उद्योगपतियों से मिल सके]

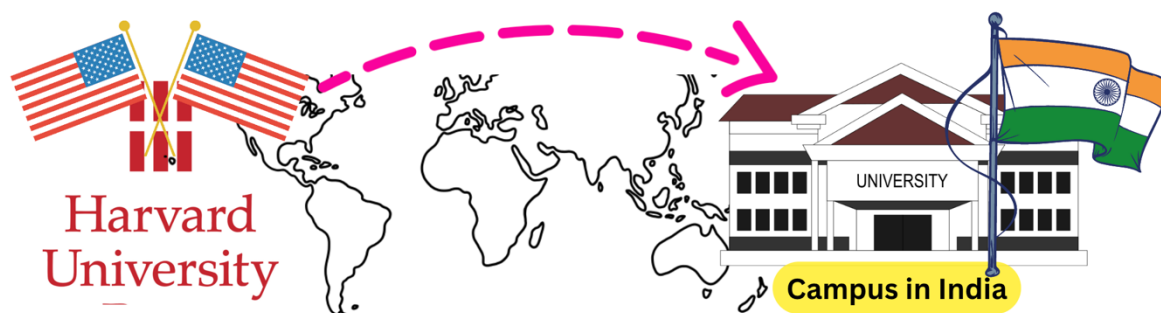


Stay in India and Study in India (2019)	– HRD/Edu Ministry's campaign to attract foreign students to study in our higher educational institutions. [विदेशी विद्यार्थियों को भारत में पढ़ाई के लिए बुलाओ] – Through centralised admission web-portal (studyinindia.gov.in) – Student awareness seminars, social media campaigns in South-East Asia, Middle East and Africa. [विदेशों में जागृति अभियान] – 25-100% fee waivers to meritorious foreign students. [फीस माफी/रियायत] – Budget-2020: If foreign student from Asia / Africa wants scholarship, he'll have to pass Indian Scholastic Assessment (IND-SAT) online test. ⇒ Related: e-VidyaBharati and e-AarogyaBharati (e-VBAB) Network: It's setup by External Affairs Ministry for health-education info exchange with AFRICAN Countries.
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MCQ. 'Stay in India and Study in India' is initiated by _ _ _ (UPSC-CDS-2020-ii)

- (a) the Ministry of Youth Affairs and Sports (b) the Ministry of Culture.
(c) the Ministry of Education (d) the Ministry of Tourism.

62.17.10 **Foreign Uni Campus in India- UGC Draft rules 2023**



- NEP-2020 allows foreign universities' campuses in India.
 - 2022-Jan: UGC released draft guidelines.
 - Top-500 universities can setup campus in India.
 - Foreign uni will be give freedom to decide fees & admission rule.
 - Foreign uni can recruit Indians and foreigners as faculty, as per their wish.
 - Foreign Uni can take back the money/fees earned from India to their home country. (Related Act: Foreign Exchange Management Act (FEMA) 1999.)
 - They have to compulsorily conduct off-line classes in India. They cannot run the course online.
 - This will help (1) reducing brain drain for higher education (2) Indian students study can get the best education within India instead of having to travel to foreign countries. (and thus, Indian students will be saved from problems such as MBBA-course non-finishing in Ukraine war.)
- (विदेशी विश्वविद्यालय अपना कैंपस भारत में भी खोल सकेंगे. उन्हें अपनी फीस तय करने में, प्रोफेसरों की नियुक्ति करने में खुली छूट होगी. भारत से कमाया हुआ धन, वह अपने मादरे वतन ले जा पाएंगे इत्यादि)

62.17.11 **Edu → Misc: Girl students / girl scientists / PH**

 SWATI portal (2024)	• Boss? Dept of Biotechnology → National Institute of Plant Genome Research (NIPGR), New Delhi • Objective? To promote women in STEMM (Science, Technology,
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	Engineering, Mathematics & Medicine).
KIRAN 🧑🏫	- Dept of Sci & Tech' scheme for helping women scientists - SEPARATELY, Social Justice Ministry has "KIRAN HELPLINE" For mental health.
UDAAN	⇒ HRD/Edu Ministry's 'UDAAN- Giving Wings to Girls' scheme gives free coaching to 1000 selected girls so they can pass IIT/technical institutes' entrance exam.
Pragati	Boss? AICTE gives scholarship for girl students in technical courses in colleges.
Vigyan Jyoti	Dept of Sci & Tech's scheme to encourage girls to join career in Science, Technology, Engineering and Mathematics (STEM)
GATI	⇒ Dept of Sci & Tech's "GATI- Gender advancement through transforming institutions" to encourage women scientists. ⇒ British Govt project "Athena SWAN" (Scientific Women's Academic Network): similar objective & they're collaborating with GATI
CURIE	Dept of Sci & Tech's scheme to improve R&D infra in women universities.
Swami Vivekananda Scholarship	- Boss? UGC - Pay fees for girl student's fees for college. - Preference for such girls who happen to be the only girl child in their family .
SAKSHAM ♿	a Scholarship for Differently Abled Children to pursue technical education .

62.17.12



Edu → Misc: Making science/research useful/popular



STEM	⇒ Dept of Sci & Tech (DST) and IBM Computer company collaboration to promote STEM (Science, Technology, Engineering and Mathematics) learning among students.
Unnat Bharat Abhiyan 2014	⇒ HRD/Edu Ministry gives ₹ ₹ to IIT, NIT etc to carry out research / consultancy for rural / local problems. <i>Asked in UPSC-Pre-2017</i>
DHRUV	⇒ ISRO to train 60 talented students from Class 9 to Class 12. ₹ ₹ by HRD/Edu Ministry (So later some of them could become scientist)
STRIDE	Faculty given ₹ ₹ for research in this Scheme for Trans-disciplinary Research for India's Developing Economy (STRIDE)
ECHO	Prime Minister's Principal Scientific Advisor (PSA) → setup EChO Network for providing leadership training to scientists and researchers.
PMRF	Prime Minister Research Fellows by HRD/Edu Ministry Talented B.Tech / M.Tech / M.Sc students from selected institutes given direct



	Ph.D admission in the IITs / IISc + monthly stipend.
IMPRINT India	IIT and IISc joint initiative to solve major engineering and technology challenges of India, started in 2015.
IMPRESS	Impactful Policy Research in Social Science (IMPRESS). It gives ₹ to social science research.
SPARC	Scheme for Promotion of Academic and Research Collaboration (SPARC) HRD/Edu Ministry gives ₹ for to Joint Research Projects between top ranked Indian Institutions and globally ranked Foreign Institutions.
Virtual Buildathon	Contest By Education Ministry for Classes 6 to 12
Further,	Ref: Pillar#4 handout → Smart India Hackathon, and truckload of other-schemes for IPR but beyond a point, poor cost benefit.

62.17.13  Edu → Misc: National Unity

Ek Bharat Shrestha Bharat	⇒ HRD/Edu Ministry pairs 1 state/UT with another state on yearly basis e.g. Rajasthan : West Bengal. They organize Youth Exchange, sports, singing-dancing, cultural programs etc. → More unity in India & less stone pelting.
ALT	⇒ Appointment of Language Teachers (ALT) Scheme: HRD/Edu Ministry to give ₹ for appointment and training of Hindi teachers in North Eastern States and the Urdu Teachers in States/UTs.
North East	⇒ Ishan Uday = Scholarships for college students belonging to North - East Region ⇒ Ishan Vikas = Academic Exposure for North - Eastern school students. They get to visit IITs , NITs and IISERs during their vacation.

62.17.14  Edu → Misc: Civic duties, Adult Edu (प्रौढ़ शिक्षा)

Kartavya Portal	⇒ HRD/Edu Ministry Launched on the 70 th Constitution day on (26/11/19). ⇒ The portal will be used primarily for holding monthly essay / quiz / poster making competitions for students for Nagrik Kartavya Paalan Abhiyan- to create mass awareness about fundamental duties. नागरिक कर्तव्य के प्रति चेतना
Saakshar Bharat 2009	⇒ HRD/Edu Ministry scheme for achieving min. 80% Adult literacy, & reduce the gap between male-female adult literacy rates.
Padhna Likhna Abhiyaan 2020 प्रौढ़ शिक्षा	⇒ Edu ministry scheme for adult-literacy through 4 month coaching course with help of civil society, NCC Cadets, CSR funding (Ref:1C) etc. ⇒ Main focus on Aspirational Districts (Ref:4C NITI)
New India Literacy Programme (NILP)	⇒ Education ministry scheme for adult-education (2022-27) ⇒ Target 1 crore illiterate persons every year. ⇒ 1st priority to illiterates in 15-35 age group. ⇒ These adult learners will also use e-learning platforms such as OLTAS (Online Teaching, Learning and Assessment System) for self-study.
ULLAS mobile	⇒ - target audience: citizens of age 15 or higher who couldn't goto school. ⇒ - ULLAS (Understanding Lifelong Learning for All in Society) mobile app



application	aims to help them learning.
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MCQ. Which is/are NOT included NEP-2020? (UP-PSC-2025)

1. ULLAS 2. DIKSHA 3. Bharat Nirman Programme

Codes: (a) 1 and 2 (b) Only 3 (c) 1 and 3 (d) Only 1.

(Hint: Bharat Nirman = PM Manmohan's bijli-pani-sadak type infra scheme.)

62.17.15 **Fully literate state/UT = 95% aged 15/> in ULLAS Scheme**

⇒ ULLAS scheme for adults literacy (aged 15 yr & above) who can't go to school. (प्रौढ़ शिक्षा)

⇒ if State / UT has 95% literacy among individuals aged 15 years and above → it is counted as "fully literate".

⇒ 2025-Nov: Tripura, Mizoram, Goa, Ladakh, Himachal are "fully literate".

62.17.16 **First fully digitally literate State = Kerala (2025)**

⇒ State Government claim is that we did a survey → 21 lakh people did not know how to use mobile/computer. We gave them training. So we are "First fully digitally literate State" of India.

62.17.17 **Sanchar Mitra Volunteers for Digital Literacy by DoT (2025)**

⇒ Boss? Ministry of Communications → Dept of Telecom

⇒ Student volunteers will be promoting digital safety and awareness.

62.17.18 **APAAR - One nation, One Student ID**



- Automated Permanent Academic Account Registry (APAAR)
- It is part of the 'One nation, One Student ID' initiative by Education Ministry.
- Each student gets a lifelong APAAR ID. (विद्यार्थी को आजीवन के लिए सिर्फ एक ही पंजीकरण-नंबर दिया जाए।)
- Helps learners, schools, and governments to track academic progress from pre-primary education to higher education. (ताकि प्राथमिक शिक्षा से लेके उच्च शिक्षा तक उसकी तरक्की पे ध्यान रखा जा सके।)
- APAAR is linked with Digilocker → students can store their important documents e.g. marksheet/ certificates → easy to fill up College admission forms and job application forms. (मार्कशीट/गुण-पत्रक का डिजिटल संग्रह)
- APAAR is linked with Academic Bank Credit (ABC) so student can utilise the marks from various courses for getting degrees/diploma etc.
- If the student changes schools, whether within the state or to another state, all her data in the ABC gets transferred to her new school just by sharing the APAAR ID. She won't need to provide physical documents or transfer certificates. (एक स्कूल से दूसरी स्कूल जब आप बदलते हैं तो कागज़ी दस्तावेज़ लेके जाने की ज़रूरत नहीं है।)
- Aadhar card required to open APAAR ID account.



- Registration for APAAR ID is voluntary, not mandatory. (स्वैच्छिक है, अभी अनिवार्य नहीं है।)
- 🙌🇮🇳 Criticism? Wohi sab “right to privacy” ki pipudi. (निजता का हनन)

62.17.19 📄 NRF Bill/Act 2023



- While China and USA spend over 2% of their GDP on research, India spends less than 0.7%.
- Presently individual ministries give research grants, which results into lack of coordination, some sectors receive too much attention, some get neglected. So, (Full) Budget-2019 announced to setup a National Research Foundation (NRF) to coordination research funding in India.
 - NRF is Statutory body under National Research Foundation (NRF) Bill/Act, 2023 (राष्ट्रीय अनुसंधान फाउंडेशन)
 - This act repeals/removes/disbands Science and Engineering Research Board (SERB), which was established by an Act of Parliament in 2008.

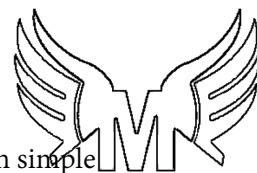
62.17.20 📄 NRF Structure (ढाँचा)

Organs of NRF	Details
Governing Board (प्रबंध मंडल)	(1) ex-officio President : Prime Minister (2) Two ex-officio Vice-Presidents: (i) Union Minister of Science & Technology (ii) Union Minister of Education (3) Member Secretary : Principal Scientific Advisor (4) Members: various department ke secretaries (usually IAS) & experts.
Executive Council (कार्यकारी परिषद)	Boss: Principal Scientific Adviser to the Government of India. Members: various department ke secretaries (usually IAS) & experts.

- Nodal? Department of Science and Technology (DST)

62.17.21 📄 NRF ke Functions (क्या क्या कार्य करेंगे)

- Target subjects/fields : (i) natural sciences including mathematics, (ii) engineering and technology, (iii) environmental and earth sciences, (iv) health and agriculture, and (v) scientific and technological interfaces of humanities and social sciences.
- Preparing short-term, medium-term, and long-term roadmaps for R&D (लघु मध्यम और दीर्घ अवधि की रूपरेखा तैयार करेगा- संशोधन अन्वेषण के लिए)
- Providing grants for research proposals. NRF officers will have the power to inspect such applicant / college / universities etc. who get money from NRF. (विभिन्न संस्थाओं को अनुदान देगा और उनकी निगरानी करेगा।)



- Convert research into capital intensive technology / widespread market adoption. (in simple terms, focus on research which is commercially profitable.) (वाणिज्यिक रूप से मुनाफ़े लायक हो ऐसे संशोधन करवाएगा।)
- Encourage investments & donations by private and public sector orgs. (सार्वजनिक और निजी क्षेत्र की संस्थाओं से चंदा निवेश लाएगा।)
- International collaboration, Conduct annual surveys. (अंतरराष्ट्रीय सहयोग, वार्षिक सर्वेक्षण)

62.17.22 NRF Funding sources: (पैसा किधर से लाएगा।)

- Grants & loans from the central government (केंद्र सरकार से अनुदान, कर्ज़/ऋण)
- Donations received. (दान/चंदा)
- Income from investments of the made by NRF Foundation (स्वयं इधर उधर निवेश करके उसमें कमाई।)
- Unspent fund of the erstwhile Science and Engineering Research Board (SERB), which is now disbanded. (विज्ञान और इंजीनियरिंग संशोधन बोर्ड जिसे सरकार ने निरस्त कर दिया उसका बचाखुचा पैसा एनआरएफ़ को मिल जाएगा।)
- 🎯 **Target:** spend Rs. 50,000 crore for five years on research (2023–28).
- 🙌 **Criticism:** Govt hopes 80% of this amount to come from deshi-foreign private sector, but it is difficult to happen in reality. Previous economic surveys had observed that despite Indian government providing tax benefit to private companies for R&D, yet companies doing nothing, due to the jugaad mentality. मुंगेरिलाल के हसीन सपने की 80 % निवेश निजी कंपनियां देंगी!

62.17.23 Research: "One Nation One Subscription" (ONOS)

Boss? Information and Library Network (INFLIBNET), an autonomous body under the UGC

before	after
Each college had to purchase separate subscription for the research journals.	Over 13,000 journals from 30 international publishers will be available to all govt higher edu. institutions

62.18 EDU → MISC. → YOUTH ORG.



According to the National Youth policy 2014: adolescents=10-19 years, youth= 15-29 years.

62.18.1 Yearbook: Ministry of Youth Affairs And Sports (युवा कार्य और खेल मंत्रालय)

Dept	1) Dept of Youth Affairs 2) Dept. of Sports
Attached / Subordinate (संलग्न / अधीनस्थ)	⇒ National Service Scheme (NSS) is a subordinate organization ⇒ whereas National Youth Corps and Youth Hostel are simply names of schemes.
Statutory	⇒ N/A or not MCQ worthy



Autonomous bodies स्वायत्त संस्थान	⇒ Sports Authority of India (SAI) ⇒ National Anti-Doping Agency (NADA), and Dope Testing laboratory. ⇒ National Sports Development Fund ⇒ Nehru Yuva Kendra Sangathan (NYKS-1972) ⇒ National Sports University, Manipur
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62.18.2 🏆 ♀ Youth Schemes= Central Sector Schemes = 100% funded by Union.

Organization	Notes
National Cadet Corps (NCC-1948)	⇒ Boss? Defence Ministry ⇒ Motto: 'Unity and Discipline'
National Service Scheme (NSS-1969)	⇒ Boss? Ministry of Youth affairs and Sports. ⇒ Motto: "Not me, but you". Voluntary Community Service.
1. Nehru Yuva Kendra Sangathan (NYKS) 2. National Youth Corps 3. Youth Hostel	⇒ These Congressi-era things are all merged into a new umbrella' scheme "Rashtriya Yuva Sashaktikaran Karyakram (RYSK)" ⇒ Boss? Ministry of Youth affairs and Sports

62.18.3 🏆 ♂ Khelo India Scheme → National Sports Education Board

- ⇒ Ministry of Youth Affairs and Sports scheme that gives ₹ ₹ to financial help to meritorious sportsmen, training of the coaches, ₹ ₹ to build stadium and other sports infrastructure, awareness generation through mobile app, **Fit INDIA campaign** etc.
- ⇒ (Full) Budget-2019 announced to setup a **National Sports Education Board** (राष्ट्रीय खेल शिक्षा बोर्ड) under this scheme, for development of sportspersons.
- ⇒ **Yogasana** given status of competitive sports.

MCQ. Pandit Deendayal Upadhyay National Welfare Fund was setup to help ____ ? (CDS-2-2024)

- (a) Medical Practitioners (b) Farmers (c) ☒ Sportspersons (d) War Widows.

62.18.4 🏆 👤 Budget-2025 on Education

Matter	Announcement
Gyan Bharatam Mission	survey, documentation and conservation of our manuscript heritage with academic institutions,
Bharatiya Bhasha Pustak Scheme	digital-form Indian language books for school and higher education to help students understand their subjects better.
IIT	Total student in 23 IITs has increased from 65,000 to 1.35 lakh in the past 10 years. 6,500 more students will be added.
Medical	10,000 additional seats will be added in medical colleges and hospitals. Goal of adding 75,000 seats in the next 5 years.
AI	will setup a Centre of Excellence in AI for education
R&D	Deep Tech Fund of Funds, - PM Research Fellowship, - Gene Bank for Crops



62.19 📌✍️ CONCLUSION-TEMPLATE-EDUCATION:

- ⇒ **SDG Goal #4:** ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. OR
- ⇒ India can't achieve SDG Goal 1 (Poverty removal) or SDG Goal 5 (Gender Equality) without achieving SDG Goal 4 (education). OR
- ⇒ Without education, a person can't lead productive life in a globalising world OR
- ⇒ Education improves a society's health and nutritional status, economic growth, population control, empowerment of the weaker sections.

Aforementioned schemes / initiatives / challenges are important in that regard / need to be addressed on priority basis. (शिक्षा प्राप्त किए बिना भारत लक्ष्य 1 (गरीबी हटाने) या लक्ष्य 5 (लैंगिक समानता) प्राप्त कर नहीं सकता. शिक्षा के बिना, कोई व्यक्ति वैश्वीकरण की दुनिया में उत्पादक जीवन वहन नहीं कर सकता। शिक्षा, समाज के स्वास्थ्य और पोषण की स्थिति, आर्थिक विकास, जनसंख्या नियंत्रण, कमजोर वर्गों के सशक्तीकरण में सुधार करती। ऊक्त कदम प्रशंसनीय / ऊक्त चुनौतियों से लड़ना जरूरी।)

63 🧑🏫🔧 HRD → SKILLING, VOCATIONAL TRAINING, RECRUITMENT



Meaning & Significance:

- **(Definition)** Skill (कौशल) is the special ability to perform a task in a proficient manner. (किसी कार्य को कुशल तरीके से करने की विशेष क्षमता को कौशल कहते हैं)
- Vocational training is the method to improve a person's skill for a given trade e.g. Auto repair, Plumbing, carpentry or welding
- **(Definition)** Demographic dividend (जनसांख्यिकीय लाभांश) is economic growth potential when the share of working-age population (कार्यशील आयु की जन संख्या) becomes larger than the dependent population (आश्रित जनसंख्या: below 15 years & above 65). India >65% population is below 35 age.

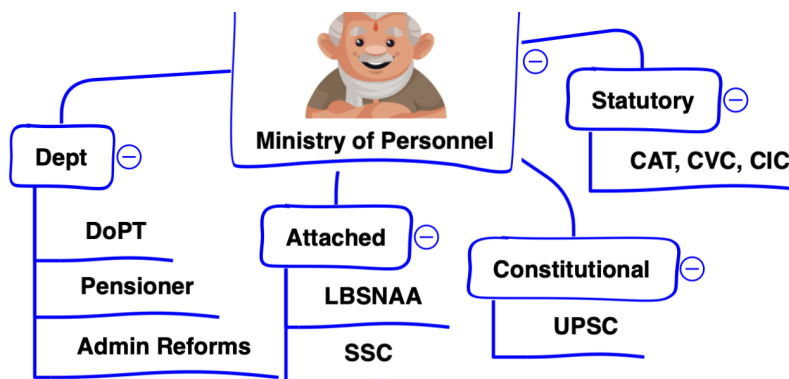
ES25	2011	2021	2026 (Projected)
Dependency Ratio	64.6%	55.7%	54.3%

- **(DATA)** Periodic Labour Force Survey (PLFS) 2017-18: less than 14% workforce in 15-59 years has received formal training. Majority of them learned the work through self-experience, family or on-the-job training. (आवधिक श्रमबल सर्वेक्षण- ज्यादातर भारतीयों ने अनुभव या परिवार से काम करना सीखा, नौकरी करने से पहले औपचारिक तालीम नहीं मिली)
- By 2020, average age of Indian population will be 29 years against USA (40 years), EU (46), Jap (47). During next 20 years, 1st world's labour force to decline by 4%, while in India it will increase by 32%. So we've to reap our demographic dividend but that requires skill development.



- In the advanced economies, not more than 25% of the population is engaged in agriculture (USA 4%, UK 5%, France 14%, Australia 16%). Whereas in India >40%. To shift this population towards mfg / service sector jobs they must be given skill training.

63.1 🧑🏫 YEARBOOK RECRUITMENT & TRAINING RELATED MINISTRIES



63.1.1 🧑🏫 Ministry of Personnel, Public Grievances & Pensions

कार्मिक, लोक शिकायत और पेंशन मंत्रालय

Dept	1. Department of Personnel and Training (DoP&T) 2. Department of Pensions and Pensioners' Welfare (DPPW). Associated with Jeevan Pramaan digital life certificate with help of MEITY Ministry. (Ref:Pillar-1D) 3. Department of Administrative Reforms and Public Grievances (DARPG: प्रशासनिक सुधार और लोक शिकायत): ○ celebrates Civil Services Day on 21st April since 2006, ○ runs CPGRAMS portal for receiving citizen complaints, ○ Good Governance index for States 2019: TN>MH >Karnataka.
Attached/ Subordinate	⇒ Lal Bahadur Shastri National Academy of Administration (LBSNAA) for training IAS Probationers. ⇒ Staff Selection Commission (SSC) ⇒ Institute of Secretariat Training and Management (ISTM) ⇒ Public Enterprises Selection Board (PESB) ⇒ Central Bureau of Investigation (CBI) which obtains powers from the Delhi Special Police Establishment Act (1946)
Constitutional	⇒ UPSC
Statutory	⇒ Read about following in Detail from Laxmikanth: ⇒ Central Administrative Tribunal (CAT) from 1985 ⇒ Central Vigilance Commission (CVC) setup in the 60s based on the Santhanam Committee on Prevention of Corruption, given statutory status in 2003. ⇒ Central Information Commission (CIC) under the Right to Information Act, 2005 ⇒ Lokpal act in 2013 → 1st Lokpal Justice Pinaki Chandra Ghose in 2019.



Autonomous	(1) National Recruitment Agency (NRA) ⇒ to conduct the Common Eligibility Test (CET) to screen/shortlist candidates for Staff Selection Commission (SSC), Railway Recruitment Boards (RRBs) and Institute of Banking Personnel Selection (IBPS). ⇒ Based on the score obtained in the CET, candidates may appear in the domain-specific tests by SSC, RRBs & IBPS respectively for the actual recruitment. (2) National Centre for Good Governance (NCGG) was set up in Lal Bahadur Shastri National Academy of Administration (LBSNAA). Cabinet Secretary (IAS) is the chairperson of this body.
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MCQ. Find correct about National Centre for Good Governance (NCGG) ? (CDS-2023-II)

1. NCGG was set up by the Sardar Vallabhbhai Patel National **Police Academy**.
2. The National Institute of Administrative Research (NIAR) has been subsumed into NCGG.
3. NCGG is an apex-level autonomous body under the Ministry of **Home Affairs**.
4. The Chairperson of the Governing Body of the NCGG is the Cabinet Secretary.

Codes: (a) 1, 2 and 4 (b) 2 and 4 only (c) 1 and 3 only (d) 3 and 4 only

Hint: Good governance related matters falls under (LBSNAA) Personnel ministry and not under home affairs/police Academy. apply elimination technique.

63.1.2 **Mission Karmayogi: Training of Civil servants (2020-Sept)**

Mission Karmayogi:- National Programme for Civil Services Capacity Building (NPCSCB) To implement this, Govt employees will be trained for new India. Govt will setup....

- 1) Public Human Resources (HR) Council headed by Prime minister
- 2) setup a not-for-profit company Special Purpose Vehicle company for e-training
- 3) Integrated Govt Online Training-iGOT **Karmayogi Platform**.



more details not important, unless PubAD is your optional subject

63.1.3 **Yearbook: Ministry of Labour and Employment**



Dept	⇒ N/A
Attached/ Subordinate	⇒ Director General Employment, Chief Labour Commissioner ⇒ Labour Bureau: It publishes Consumer Price Index Numbers for industrial and agricultural rural workers. ⇒ Directorate General of Mines Safety (DGMS)
Statutory	⇒ Employees State Insurance Corporation (ESIC) ⇒ Employees Provident Fund Organisation (EPFO) ⇒ Central Govt Industrial Tribunal-cum-Labour Courts under the Industrial Disputes Act 1947



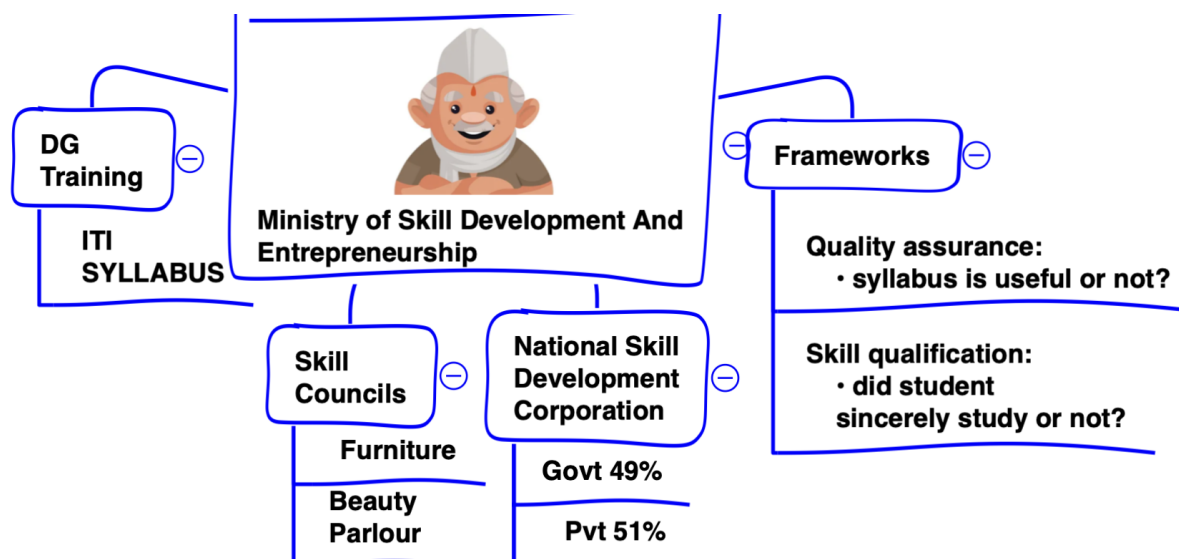
Autonomous	⇒ V.V. Giri National Labour Institute, UP
CPSE	⇒ N/A or not MCQ worthy

63.2 [YEARBOOK] MINISTRY OF SKILL DEVELOPMENT & ENTREPRENEURSHIP

कौशल विकास और उद्यमिता मंत्रालय consists of <list not exhaustive>

Dept	N/A
Attached offices	Directorate General of Training: to see Industrial Training Institute (ITI) in State/UT have common syllabus, training modules
Statutory Bodies	– N/A
Related company	– National Skill Development Corporation (2008).
Autonomous body	– 30+ Sector specific Skill Councils e.g. Beauty & Wellness Sector Skill Council, Construction Skill Development Council, Furniture & Fittings Skill Council etc. – NIESBUD (National Institute for Entrepreneurship & Small Business Development) @Noida. – IIE (Indian Institute of Entrepreneurship) @ Guwahati, Assam, 1993.
Non-Statutory regulatory body through gazette	– National Council for Vocational Training (NCVT 1956) – National Skill Development Agency (NSDA 2013) 2020: Govt merged above two bodies into a non-statutory regulatory body known as 'National Council for Vocational Education and Training (NVCET)'
Notable Schemes	– - PMKVY (Pradhan Mantri Kaushal Vikas Yojana) – - JSS (Jan Shikshan Sansthan) for Adult Education

63.3 () → NSDC (2008, HQ @DELHI)



- 2008: National Skill Development Corporation (NSDC: राष्ट्रीय कौशल विकास निगम) setup as a not-for-profit public limited company with shareholding: 49% from Skill Ministry + 51% from private sector ASSOCHAM, CII and FICCI etc.



- Not for profit company. (Also called Section 8 company, under The Companies Act , 2013).

The main objectives of NSDC include

- Give funds for skill programs via a combination of debt, equity and grants;
- Create market-based business model for skill program (i.e. skill training should become a profitable business in itself. Because if skill programmes are done for free, then trainee will not take it very seriously.)
- implementing skills voucher programme; (e.g. give ₹1000 ka gift card to a learner, fir uski marzi hai, she can use it to pay fees for any training program in any of the approved centres.)
- Training of the trainers with help of with states

AB CD !? MCQ. Find correct about National Skill Development Corporation? (CDS-2023-I)

1. It is a not-for-profit Public Limited Company set up by the Ministry of Skill Development
2. It promotes skill development by catalysing the creation of only large, quality and non-profit vocational institutions. Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

63.4 (👤🔧) → NSDF, NSDA, NSQF, NCVET

- 2009: **National Skill Development Fund (NSDF-निधि)** operated by Skill Ministry → NSDC. It receives ₹ ₹ from various schemes & private donors → ₹ ₹ given to various ministries for running their skill development programs.
- 2013: **National Skill Development Agency (NSDA-एजेंसी)** Autonomous Body under Skill Ministry. It's responsible for:
 - Preparing National Labour Market Information System (LMIS) database.
 - **National Quality Assurance Framework (NQAF)** to ensure that the coaching training courses' syllabus / methods are actually useful for the jobs requirements in present and future. (सुनिश्चित करना की जो सिखाया जा रहा है वह असल में नौकरी/धंधे में उपयोगी है कि नहीं?)
 - **National Skills Qualifications Framework (NSQF: राष्ट्रीय कौशल योग्यता फ्रेमवर्क)** to organize learners' qualifications according to a levels of knowledge, skills and aptitude, including the Recognition of Prior Learning (RPL: पहले की विद्वता की मान्यता). For example:

Sample NSQF Framework →

Sector	Job title & Code	NSQF Level	Training hrs	Job Description & Skill Set
Beauty & Wellness (BWS)	Assistant Hair Stylist (BWS/Q0201)	3	150	An Assistant Hair Stylist shampoos and conditions hair, blow dries hair, provides basic hair cuts as well as assists the hair stylist.
	Hair Stylist (BWS/Q0202)	4	300	In addition to above skills, he can do advanced hair styling, color the hairs, scalp massage etc.



63.4.1 🧑 NCVET 2018 (व्यावसायिक शिक्षा और प्रशिक्षण के लिए राष्ट्रीय परिषद)

- ‘National Council for Vocational Education and Training (NCVET)’ under Skill Ministry, is a non-statutory regulatory body setup through Gazette notification.
- NCVET will have Chairman + members.

NCVET will be responsible for

1. Advise on short term long term vocational programs / syllabus etc.
2. Overseeing the Sector Skill Councils (SSCs), Skill certification / assessment bodies.
3. Those SSCs will supervise ground level vocational training institutes: their recognition, regulation, inspection, certification etc. So, NCVET will be an ‘indirect regulator’ of the ground level vocational training institutes.
4. Grievance redressal, research, awareness generation and information dissemination and grievance redressal.

63.4.2 🧑🔧🔗🧑 National Skill Development Mission (NSDM: 2015, by Skill Ministry)

NSDM To focus on 7 areas: 1. Institutional Training 2. Infrastructure 3. Convergence 4. Trainers 5. Overseas Employment 6. Sustainable Livelihoods 7. Leveraging Public Infrastructure

AB CD !? MCQ. Which of the following is/are the sub- mission/sub-missions of the National Skill Development Mission (CDS-2023-I)? 1) Institutional training 2. Overseas employment 3. Leveraging of public infrastructure Codes: (a) 1 only (b) 2 only (c) 1, 2 and 3 (d) 2 and 3 only

63.5 🧑🔧🔗🧑 SKILL INDIA CAMPAIGN (2015: कौशल भारत अभियान)

Boss? Ministry of Skill Development and Entrepreneurship. 4 components

1. National Skill Development Mission 2015→

- a. **2018: SANKALP** (Skills Acquisition and Knowledge Awareness for Livelihood Promotion) → To set up new training institutes, improve infrastructure of existing institutes, Training of the trainers/assessors, encourage women, SC/ST/PH to join programs. Core Scheme = States required to contribute some money.
- b. **2017: STRIVE** (Skill Strengthening for Industrial Value Enhancement) → To improve the National Skill Development Corporation (NSDC), National Skill Development Agency (NSDA), etc. Central sector scheme = States not required to contribute money.
- c. World Bank is giving ₹ support to both the schemes.

2. Skill Loan scheme: Students given bank loan from ₹ 5,000/- to ₹ 1,50,000/- to join skill programs. (विद्यार्थियों को कौशल प्रशिक्षण के कोर्स करने के लिए बैंक से लोन / कर्ज़ा मिले)

- a. Loan tenure upto 7 years, Interest rate varies as per bank.
- b. Bank will not charge processing/application fees, bank will not demand collaterals.
- c. National Credit Guarantee Trust Company Ltd (NCGTC, under Department of Financial Services) gives credit guarantee.



d. Govt / Bank 'MAY' give interest subsidy, if they want.

3. **National Policy for Skill Development & Entrepreneurship 2015.** *Shortnote below*

4. **Pradhan Mantri Kaushal Vikas Yojana (PMKVY) scheme.** *Shortnote Given below*

63.5.1 🧑🔧🔧🔧 Skill India3 → National Policy for Skill Dev. & Entrepreneurship 2015

- India's Social-traditional view sees 'Graduation Degree' as a status. Vocational training programs such as mason, carpenter, hair stylist, bicycle repairman are seen as the last option for academically 'weak' students. We'll generate awareness to break this taboo & inferiority complex (हीन भावना को समाज से हटाया जाए की वेल्डिंग-प्लंबिंग का काम पढ़ाई में कमज़ोर बच्चे ही करते हैं).
- We'll try to add vocational skilling programs from class9 itself. (स्कूल से ही सिखाना शुरू करेंगे)
- When Govt offers 'free' skill training, students don't take it seriously (सरकारी कौशल कार्यक्रमों में भी थोड़ी बहुत फ़ीस लेंगे, एकदम-मुफ्त में नहि पढ़ाएँगे, ताकि प्रशिक्षु विद्यार्थी उस तालीम को गंभीरता से ले।)
- We'll do sector-wise skill gap analysis, update training syllabus, train the workforce accordingly with Recognition of Prior Learning (RPL- पहले से मिली सीख / कौशल की मान्यता).
- IT based monitoring, evaluation, placement (ऑनलाइन निगरानी, तालीम के बाद रोज़गार दिलवाना)
- New ITIs will be set up in PPP mode. (सार्वजनिक निजी भागीदारी में नए ITI खोलेंगे)



63.5.2 🧑🔧🔧🔧 Skill India4 → Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

Boss? Skill Ministry → ₹ ₹ to National Skill Development Corporation (NSDC) and State Government's State Skill Development Missions.

⇒ Centrally Sponsored Scheme → Core Scheme = Not 100% funded by Union.

⇒ Target: 40 crore people in India in different skills by 2022., through following components:

1) Short Term Training (STT): लघु अवधि की तालीम	150-300 hrs training at public sector Training institutes (e.g. ITI, Polytechnics) and empanelled private sector training institutes. These centres will be designated as 'Kaushal Vikas Kendra'.
2) Recognition of	Those who already have learned from job / informal training / personal



Prior Learning (RPL: पहले की विद्वता की मान्यता)	experience e.g. Tailors, Masons, Plumbers, Cobbler, Hair Stylist, etc. Their skills are tested, they're given certificate. So accordingly they may join 'bridge courses' to enhance their skills without needing to join basic level courses.
Special Project	launching training programs in sectors / persons not covered in Short Term Training (STT). (जिन्हें यदि लघु अवधि की तालीम न मिल पाई, उनके लिए खास कार्यक्रम का)

++ Training mela, rozgar mela, tracking of how many people got placement, etc.

63.5.3 ((👨🔧👩🔧👨🔧) Skill India4 → PMKVY phase 3.0 (2020)

⇒ Pradhan Mantri Kaushal Vikas Yojana (PMKVY) Phase 1.0= 2015-16

⇒ Phase 2.0= 2016 to 31/3/2020

⇒ **Phase 3.0**=target to training 8 lakh people in 2020-21. in this phase, more powers given to district administration to cater local demand. स्थानीय उद्योगों की ज़रूरत के हिसाब से कौशल विकास कार्यक्रमों के आयोजन के लिए जिला प्रशासन को अतिरिक्त सत्ता/छूट दी गई

63.5.4 ((👨🔧👩🔧👨🔧) PM Kaushal Vikas 4.0 in 💰Budget-2023

MATTER	DESCRIPTION
WHAT?	new age courses for Industry 4.0 like coding, AI, robotics, mechatronics, IOT, 3D printing, drones, and soft skills.
HOW?	On-job training, industry partnership, and syllabus updation/alignment.
DURATION?	for next three years

AB CD ? MCQ. Find correct about Pradhan Mantri Kaushal Vikas Yojana: (UPSC-Pre-2018)

- It is the flagship scheme of the Ministry of Labour and Employment.
- It, among other things will also impart training in soft skills, entrepreneurship, financial and digital literacy.
- It aims to align the competencies of the unregulated workforce of the country to the National Skill Qualification Framework. Codes: (a) 1 and 3 only (b) 2 only (c) 2 & 3 only (d) 1, 2, & 3

63.5.5 ((👨🔧👩🔧👨🔧) PM-VIKAS / Vishwakarma KAushal Samman - 💰Budget-2023

Refer Pillar1D

63.5.6 ((👨🔧👩🔧👨🔧) Skill India Digital Platform in 💰Budget-2023

⇒ Formal skill training (online) courses.

⇒ Demand based program. (i.e. It's not like traditional MBBS college 50 limited seats and annual admission. Here admission to be available for 365 days for whoever 'demands/wants' to join it.)

ऑनलाइन माध्यम से कौशल विकास के कोर्स / पाठ्यक्रम मांग आधारित रूप से चलाये जाएंगे।

63.5.7 Skill: 💰Budget-2023 Misc. announcements

Matter	description
30 India International Centres	to give skill training to Indians who want to work abroad.
National Apprenticeship	stipend to 47 lakh youth in three years, via DBT-



Promotion Scheme

Direct Benefit Transfer

63.6 (👤👤🔧🔑👤) SKILLING → SHREYAS SCHEME (2019)

Boss? HRD/Edu Ministry's Scheme for Higher Education Youth in Apprenticeship and Skills- (SHREYAS) scheme aims to cover 50 lakh students by 2022 in 3 ways:

1. SHREYAS Webbportal to connect Non-Technical college youth (BA/Bcom/BBA type) with industries so they can join apprenticeship, earn stipend & increase their employability. Govt to pay 25% of stipend (upto max ₹ 1500 per month), rest by the industrialist.
2. Launching B.A (Professional), B.Sc (Professional), B.Com (Professional) etc. courses - They'll contain educational input + vocational input + a mandatory apprenticeship for 6-10 months
3. Colleges without 'campus recruitment / placement' facilities- they'll be connected with Labour Ministry's National Career Service (NCS) portal so their students can find jobs/placement.

63.7 SKILL SCHEMES LAUNCHED IN 2024

63.7.1 👤 Prime Minister's Internship Scheme (2024-Budget)

- Boss? corporate affairs ministry
- 1.25 lakh internships in top 500 companies. intern gets one-time grant of ₹ 6,000
- intern gets a monthly stipend of Rs 5,000 for 12 months [₹4500 by govt + ₹ 500 by company]
- Company spending money on this scheme = counted in their CSR quota (Ref: Pillar#1C)
- Insurance coverage for every intern under Pradhan Mantri Jeevan Jyoti Bima Yojana and Pradhan Mantri Suraksha Bima Yojana by Government of India (Ref: Pillar#1D)

Eligibility

- age group of 21–24 years. candidate must not be full-time student in school/college.
- candidate must not have any other job. Family income: not more than eight lakh per year
- No family member must have a government job.

63.7.2 🗂️👤 Skill loans → revamped Model Skill Loan Scheme (2024-Jul)

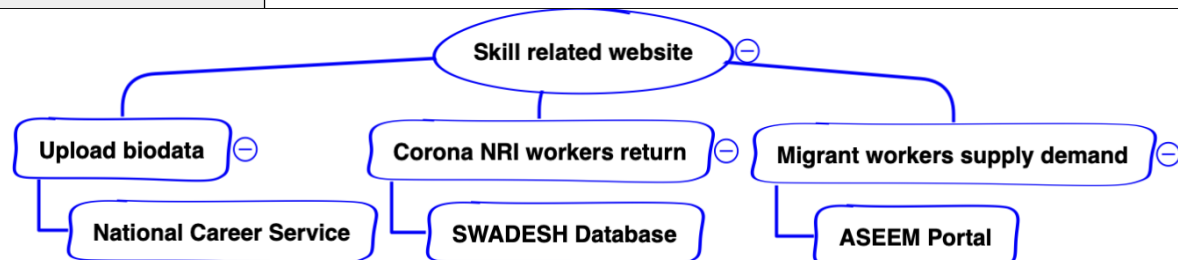
- Boss? Ministry of Skill Development
- collateral-free loans up to ₹ 7.5 lakh for admission in skill courses. [previously max ₹1.5 lakh loan given]
- this will help aspiring candidates to do skill courses in healthcare, IT, AI-data science, cloud application, digital marketing, hospitality, animation, gaming, graphic designing, and drone technology etc.

63.7.3 🤖👤👤👤(👤👤🔧) Skilling → Post Corona / Atma-Nirbhar

NMIS	⇒ Home Ministry → National Disaster Management Authority (NDMA) : online Dashboard - National Migrant Information System (NMIS). (कोरोना में घर लौटे प्रवासी मज़दूरों की ऑनलाइन निगरानी) ⇒ It can help coordinating the transport/train arrangements for migrants to return back home. And also for monitoring the spread of COVID
SWADESH	⇒ SWADES (Skilled Workers Arrival Database for Employment Support) is a joint initiative by Skill Ministry, Aviation Ministry and External



2020-June	Affairs Ministry ⇒ It's a skill mapping exercise of the returning citizens under the Vande Bharat Mission (from foreign countries during Corona). ⇒ Returning Workers will fillup online SWADESH Skills card. → Data shared with companies → Job placement ⇒ विदेशों से वतन वापस आए भारतीय श्रमिकों का कौशल मानचित्रण
ASEEM 2020-Jul	⇒ Aatmanirbhar Skilled Employee Employer Mapping (ASEEM) portal ⇒ by Skill Ministry → by National Skill Development Corporation (NSDC) with help of a Bengaluru startup company "Betterplace". ⇒ To map regional details of workers vs local industry demands. ⇒ This will help govt to analyse the migration patterns and implement the skill development courses श्रमिकों का विवरण बनाम स्थानीय उद्योग में श्रमिकों की मांग। ⇒ 🛒 Budget-2022: we'll connect the data of Udyam (MSME registration), e-Shram (unorganised sector workers registration), NCS (apply biodata online) and ASEEM portals → this will help in employment generation
SAKSHAM (Shramik Shakti Manch)	DST (Department of Science & Technology) → TIFAC (Technology Information, Forecasting and Assessment Council) → portal for laborers' skill mapping, skill cards, connecting with employers for jobs.
Shramshakthi Portal	⇒ Tribal Affairs Ministry's portal for migrant workers. ⇒ Objective? connecting them with other schemes for employment & skill development. श्रमिकों को रोजगार कोशल्य की अन्य योजनाओं से जोड़ने के लिए।
PM-DAKSH	⇒ For skilling of marginalized persons including scheduled castes, backward classes and safai karamcharis.
IISC Network	⇒ India International Skill Centre (IISC- a body under Skill Ministry) To provide Indian workers to foreign countries. ⇒ For this, IISC signed agreements with Germany, Belarus, United Kingdom, France, Australia, Japan and Qatar etc.
DESH-Stack eportal	⇒ 🛒 Budget-2022: DESH-Stack e-portal: for on-line training for skill development.



MCQ. ASEEM is _____. (UPSC-CDS-2020-ii) (a) Aatmanirbhar Skilled Employee Employer Measurement (b) Aatmanirbhar Skilled Employee Employer Mapping (c) Aatmanirbhar Skilled Employee Enterprises Medium (d) Automatic Skilled Employee Employer Mission



63.8 (🧑🏫🧑🏻🔧👉🧑🏻) SKILLING & ENTREPRENEURSHIP → BEFORE CORONA

YuWAAH 2019	⇒ UNICEF project for skill development of adolescent and young Indians, labelled "Generation Unlimited India"
Pradhan Mantri Yuva Udyami Mitra Vikas Yojana (YUVA)	- Boss? Skill Ministry - Just the usual stuff- Connect the aspiring entrepreneurs with peers, mentors, funding. Setup incubators & training centres in colleges, ITI - Note: Ministry of Education of also run a PM-Yuva 2.0 scheme to help young authors for writing books.
Ref Pillar 1D & 4B:	Pradhan Mantri Mudra Yojana, Stand up India Loan Scheme Startup India Scheme, PM Rojgar Protsahan Yojana, ATMANIRBHAR BHARAT ROZGAR YOJANA etc
Startup Village Entrep.ship Programme	- Boss? Rural Development Ministry. Helps the rural poor to start business. - It's a subcomponent of Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM).
National Career Service	2015: Labour Ministry set up an online portal & offline centres to help ITI / diploma / graduate job seekers connect with job givers. Organize rozgar melas, spread career awareness etc.
National Apprenticeship Promotion Scheme 2016 (शागिर्द / प्रशिक्षु)	- Boss? Skill Ministry. After Youth has completed basic training in Industrial Training Institutes (ITIs) / Kaushal Vikas Kendra, then Industrialist takes him as apprentice, trains him in practical aspects, pays stipend. - Govt pays part of the stipend. - Target: ↑ apprenticeship training to 50 lakh youth by 2020. Online registration of apprentice, centralized monitoring, exam & certification.
Apprenticeship Rules	Under the Apprenticeship Act, Govt has notified these rules: - minimum monthly stipend: ₹5,000 for school pass out class 5-9 and ₹9,000 for graduate - 10-15% hike in stipend for 2nd and 3rd year of apprenticeship
Disturbed areas अशांत क्षेत्र	Rural Development Ministry (ग्राम विकास मंत्रालय) → - HIMAYAT: skill development in J&K - ROSHNI: skill development in Naxal / LWE areas.
Udaan for J&K	Jammu and Kashmir youth ke liye skill development and job placement in corporate sector. By Home ministry + (NSDC)
Minorities अल्पसंख्यक	Minorities Ministry (अल्पसंख्यक मंत्रालय) → - USTTAD: Upgrading the Skill and Training in Traditional Art craft - Nai Manzil: Madressa students, school-dropouts given additional training - Nai Udan, Naya Savera: free coaching / stipend for competitive exams. - Learn And Earn (Seekho Aur Kamao)
Yukti	Yukti - Yogya Kalakriti ki Takneek: HRD/Edu Ministry's scheme for skill



	development of traditional craftsman
Women	- Social Justice Ministry: National Backward Classes Finance & Development Corporation (NBCFDC) → Mahila Samriddhi Yojana → Concessional Loans for female entrepreneurs. - Department of Financial Services → credit guarantee through NCGTC Ltd → Standup India: SC/ST & Women entrepreneurs given loans from 10 lakh to 1 cr in each SCB Bank branch. - Women Child Ministry → - PM Mahila Shakti Kendra for skilling & availing scheme benefits. - STEP: Scheme: Support to Training & Employment Program for Women
Jan Shikshan Sansthan	Skill Ministry' vocational training centres for school dropouts & illiterates in the age group of 15-45. (अनपढ़ लोगों को कौशल्य तालीम देकर रोजगार नौकरी धंधा दिलवाएंगे)
Global Skills Park (2018)	India's first Global Skills Park is to be setup in Madhya Pradesh by Union Govt + loans from Asian Development Bank (ADB)
Skill India International Centres,	⇒ Government plans to open such centres in multiple cities, for example, Varanasi, Bhubaneshwar, etc. ⇒ To give skill training to Indian workers wanting to migrate to UAE, Canada, Australia and other GCC regions for jobs.
Reskilling Revolution	World Economic Forum's initiative to provide 1 billion people better edu, skills & jobs by 2030. India joined as founding member (2020-Jan)
MNGF	Skill Ministry gives Mahatma Gandhi National Fellowship (MNGF) to young professionals for helping district level officials in skill dev programs.
ISDS Group 'A' Service	Skill Ministry created this new Group A service, Indian Skill Development Services (ISDS: भारतीय कौशल विकास सेवाएं). They'll be recruited through Indian Engineering Service Examination, conducted by UPSC. First batch taken in 2019, and undergoing training at Mysuru.
SAMVAY	• credit framework Skills Assessment Matrix for Vocational Advancement of Youth (SAMVAY) • allows vertical and lateral mobility within vocational education system (similar to academic bank of credit)

MCQ. Find correct statement(s) about 'National Career Service': (Pre-2017)

1. National Career Service is an initiative of the Dept of Personnel and Training, Govt of India.
2. National Career Service has been launched in a Mission Mode to improve the employment opportunities to uneducated youth of the country. Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

MCQ. To obtain demographic dividend, what should India do? (UPSC-Pre-2013)

- (a) Promoting skill development (b) Introducing more social security schemes
(c) Reducing infant mortality rate (d) Privatization of higher education

Next Handout Pillar6C: Poverty – measurement and removal



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64 HRD → POVERTY (गरीबी)

Definition: Poverty is the lack of sufficient money to meet the minimum standard of living- including food, clothing, shelter, health and education. भोजन, कपड़े, आश्रय, स्वास्थ्य और शिक्षा सहित जीवन के न्यूनतम स्तर को पूरा करने के लिए पर्याप्त धन/पैसों की कमी को गरीबी कहते हैं।



64.1.1 🌸🌿 Factors responsible for poverty in India (गरीबी के कारण)

1. Poor fiscal capacity of the govt due to tax evasion → Public healthcare, education, housing, water & sanitation infra is poor → (बुनियादी अवसंरचना ठीक करने के लिए सरकार के पास पैसों की कमी)
 - a. Educational outcomes are poor → illiteracy, lack of vocational skills → Unemployment, Underemployment, Disguised Unemployment. (Ref Pillar#4C)
 - b. Unhygienic slums → Disease → wages lost, savings lost, school days lost. (बीमारियाँ)
2. Lack of family planning → ↑ birth-rate → child labour → education. अधिक बच्चे पैदा करना, बाल मजदूरी. जो बच्चा बाल मजदूरी करेगा उसकी शिक्षा ठीक तरह से नहीं हो पाएगी और वह गरीब का गरीब ही रहेगा.
3. Large family → insufficient food → malnutrition → insufficient mental & physical capacity to pursue better economic opportunities. कुपोषण के चलते शारीरिक और मानसिक विकास नहीं, पढ़ाई में ध्यान नहीं
4. Unprofitable nature of agriculture due to vagaries of monsoon & structural bottlenecks in the APMC Market. किसानों का मंडी में शोषण
5. Low asset base: Most of the rural households don't possess land, milch animals, farm machinery or sufficient bank deposits in the first place- it reduces their capacity to generate self-employment / business opportunities. Vicious trap of low savings → low investment → low income. Such poor parents are unable to provide better education to children → 2nd generation is also deprived of economic opportunities. संपत्ति कम है, इसलिए पिता अपने भविष्य की पीढ़ियों के लिए अच्छी शिक्षा में निवेश नहीं कर सकता
6. Lack of financial planning: wasting money in Tobacco, Liquor, Social Rituals, Pilgrimages.
7. Lack of financial inclusion, debt trap by informal money lenders. साहूकारों का ब्याज चक्र
8. Majority of labour engaged in unorganized / informal sector: minimum wages are not enforced.
9. Insurance density is poor. Most workers lacking social security → Once the breadwinner dies / permanently handicapped → family pushed into poverty. बीमा और सामाजिक सुरक्षा का अभाव
10. Social barriers faced by SC / ST / Minorities in advancing economically in rural area.
11. Female Labour Force Participation Rate is low. Maternity Benefits Act, Equal Wages Act not strongly enforced. Gender inequality in education & nutrition → females' energy and talent mostly confined to unpaid domestic work → family unable to come out of poverty. (श्रमबल में महिला सहभागिता दर कम है, इसलिए वह अपने परिवार के लिए ज्यादा धन कमा नहीं सकती)
12. Misgovernance, Terrorism, Secessionism in the Special Category States → infrastructure, industries and tourism remained underdeveloped. In mineral rich states economic growth & per capita income is high (due mining activities) but Left Wing Extremism, Mining Mafia, Weak governance → Poor infrastructure → lack of economic opportunities for poor. (कुशासन आतंकवाद उग्रवाद के चलते कुछ क्षेत्र पिछड़े / अविकसित रहे हैं, इसलिए वहाँ के लोग गरीब)
13. Corruption / leakages in the poverty removal programs. Failure of the Finance Commission & Planning machinery to hold the state governments accountable. भ्रष्टाचार और सब्सिडी का रिसाव



14. While both India & China adopted 'Five Year Plans' system but China began LPG-like reforms in 80s itself so its economy grew very fast. Whereas India kept industrialists under license, quota, inspector raj; archaic factory laws & labour laws without ease of doing business. → More Jobs could not be created in mfg. sector. (पंचवर्षीय योजनाओं ने प्रभावी रूप से मदद नहीं की)

64.1.2 🙌🔄🙌 Vicious Circle of Poverty (गरीबी का दुष्चक्र/विषचक्र)

- ⇒ Poor person doesn't have enough money to buy good food / education → his productivity remains low → he doesn't have enough money.
- ⇒ low level of development in Least Developed Countries (LDCs) is also explained through the vicious circle on supply and demand side: (अति अल्प विकसित देशों में गरीबी के कारण निम्न है)

Supply Side (आपूर्ति का विषचक्र)	Demand Side (माँग का विषचक्र)
Poor person has low income → low savings → low investment / capital → he can't start or expand business to increase his income → more poverty	Low income → low demand by poor families (of mobiles, TV, fridge) → low capital investment by companies / factories due to lack of customers → less new jobs → more poverty
क्योंकि आदमी गरीब है इसलिए उसकी आमदनी कम है इसलिए वह पैसा कम बचत कर पाता है इसलिए वह कोई धंधा शुरू नहीं कर पाता इसलिए वह हमेशा गरीब रहता है	क्योंकि आदमी गरीब है इसलिए ज्यादा खरीदारी कर नहीं पाता, इसलिए कंपनियां उनको बेचने के लिए वस्तु बनाने के लिए ज्यादा फैक्ट्रियां लगाती नहीं, इसलिए रोजगार बढ़ते नहीं इसलिए गरीब की आमदनी बढ़ती नहीं

64.1.3 📖🙌 Terms from NCERT: Social indicator of poverty

- Social scientist look at poverty through various indicators such as
- food, child mortality, maternal health, schooling, standard of living like cooking fuel, sanitation, drinking water, housing, electricity, assets, bank account, social exclusion and vulnerability

AB CD MCQ. Which is NOT a social indicator of poverty ? (UP-PSC-2025)

1. Illiteracy 2. Safe drinking water 3. Job opportunities 4. Size of the house

Code: (a) 1 and 2 (b) 3 and 4 (c) Only 4 (d) Only 1, **Official Anskey:- (c) Only 4.**

64.1.4 📖🙌 Terms from NCERT: Social Exclusion:

- When poor people, excluded from enjoying social equality of better-off people. e.g. clean water.
- Social exclusion can be both a cause as well as a consequence of poverty in the usual sense.
- Social exclusion causes more damage than having a very low income.

64.1.5 📖🙌 Terms from NCERT: Vulnerability to poverty

- It describes the greater probability of certain communities of becoming or remaining poor. e.g. Widows and PH.
- These vulnerable groups face greater risk at the time of natural disasters (earthquakes, tsunami).

64.1.6 📖🙌 Terms from NCERT: Human poverty

- Means even if people have crossed poverty line but e.g. do people they have education? Or shelter? Or health care? Or job security? Or self-confidence?
- Are they free from caste-gender bias / child labour still common? Etc



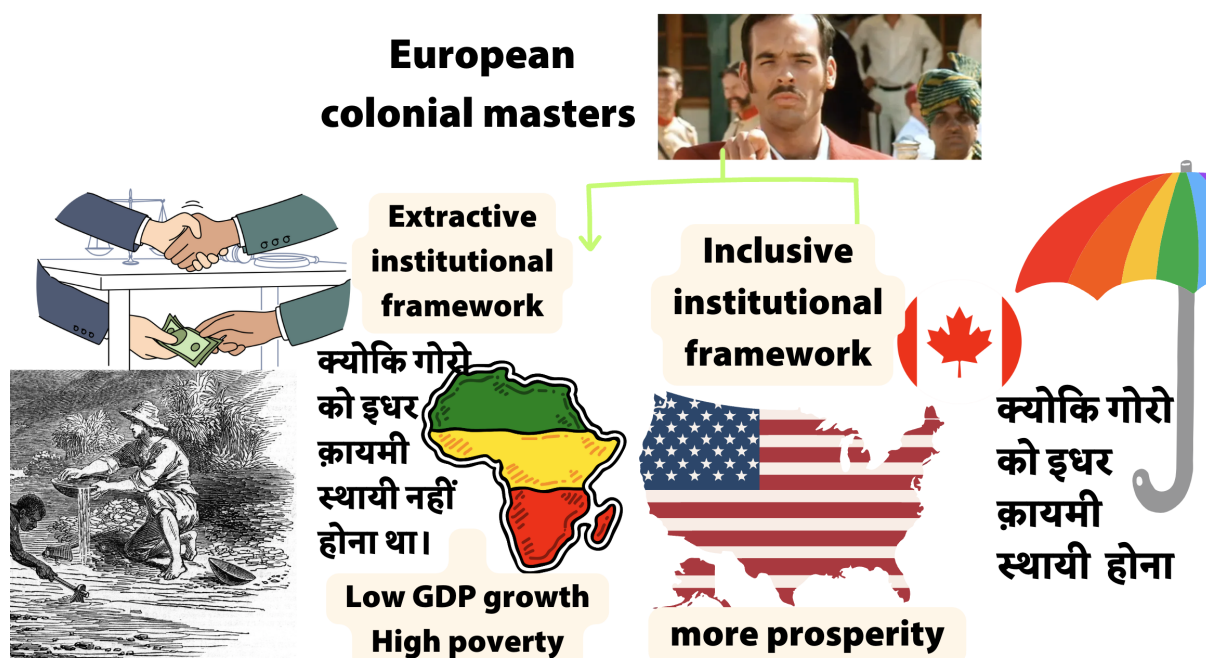
64.1.7 🏆🏆 Economics Nobel 2019 for Global Poverty Alleviation



- ⇒ Originally, Nobel Prizes were given for 1) Physics, 2) Chemistry, 3) Physiology or Medicine, 4) Literature, and 5) Peace. From the fund created by Swedish inventor Alfred Nobel.
- ⇒ 1968-69: Bank of Sweden started giving "Sveriges Riksbank Prize in Economic Sciences". So, technically not a Nobel Prize, but it's nicknamed as "Nobel for Economics"
- ⇒ **2019:** Abhijit Banerjee (born in Mumbai, teaches at Massachusetts Institute of Technology, USA) & his wife Esther Duflo (France) and Michael Kremer (USA) received for "experimental approach to alleviating global poverty." ("वैश्विक गरीबी को कम करने के लिए प्रयोगात्मक दृष्टिकोण।")
- ⇒ They'll receive 9 million Swedish krona, to be shared equally between the Laureates.
- 2019's winner suggested we shd divide poverty issue into smaller & manageable questions e.g**
- ⇒ "How can we improve educational outcomes? → extra classes for the weak students
- ⇒ "How can we improve child health?" → ↑ vaccination → give foodgrains to parents if they bring child for vaccination. (गरीब मां-बाप को मुफ्त अनाज दो बस शर्त है कि वह बच्चे को टीकाकरण के लिए लाए)

64.1.8 🏆🏆 Economics Nobel 2024 for importance of institutions for economic growth

Asian and African Societies have a poor rule of law and they've institutions that exploit the population. So they are unable to generate growth or change for the better. (एशिया और अफ्रीका के समाजों में शोषण करने वाले संस्थान हैं इसलिए आर्थिक वृद्धि कम है।)



Inclusive institutional framework	Extractive institutional framework :
democracy, law and order, protection	lack of rule of law, autocracy or dictatorship, power being



Inclusive institutional framework	Extractive institutional framework :
of property rights, etc. European colonial masters imposed this framework in the countries where they had plans to settle permanently.	concentrated in the hands of a few people. European colonial masters imposed this framework in the countries where they did not have plans to settle permanently due to malaria, high heat/humidity, large local population that could kill Europeans.
e.g. USA and Canada	e.g. Africa, Asia

Counter arguments: (1) this model doesn't explain China's growth. (2) USA also exploited African slaves and Native (Red) Indians. (3) Britain's industrial revolution happened by exploiting the laborers. So USA and Britain did NOT have 'Inclusive framework' for every citizen, from day#1.

64.1.9 Chronology of Imp. Noble Economics upto 2025

Year	Research Topic	Winners of Economics Nobels
1998	Welfare Economics	Amartya Sen (India)
2021	Labour economics	David Card, Joshua D Angrist and Guido W Imbens (USA and Netherlands)
2022	Banks' role in financial crises	Ben S. Bernanke, Douglas W. Diamond, Philip H. Dybvig (USA)
2023	women's labor participation over centuries.	Claudia Goldin Harvard University (USA) More about her thesis in 6D: Weaker Section.
2024	importance of institutions and rule of law for growth (किसी देश की तरक्की में संस्थाओं और क़ानून के शासन का महत्व)	Daron Acemoglu, Simon Johnson, and James A Robinson (USA)
2025	Prerequisites for Sustained Growth: - Needs joint evolution of sci. tech - Needs Skilled "tinkerers" e.g. microscope, sea-navigation compass - Needs a society open to change	Joel Mokyr (US-Israel) (50% prize)
2025	Creative destruction: when a new and better product enters the market, the companies selling the older products lose out e.g. Anil Ambani's CDMA vs Mukesh's 4G.	Philippe Aghion (France) (25% prize) Peter Howitt (Canada) (25% prize)

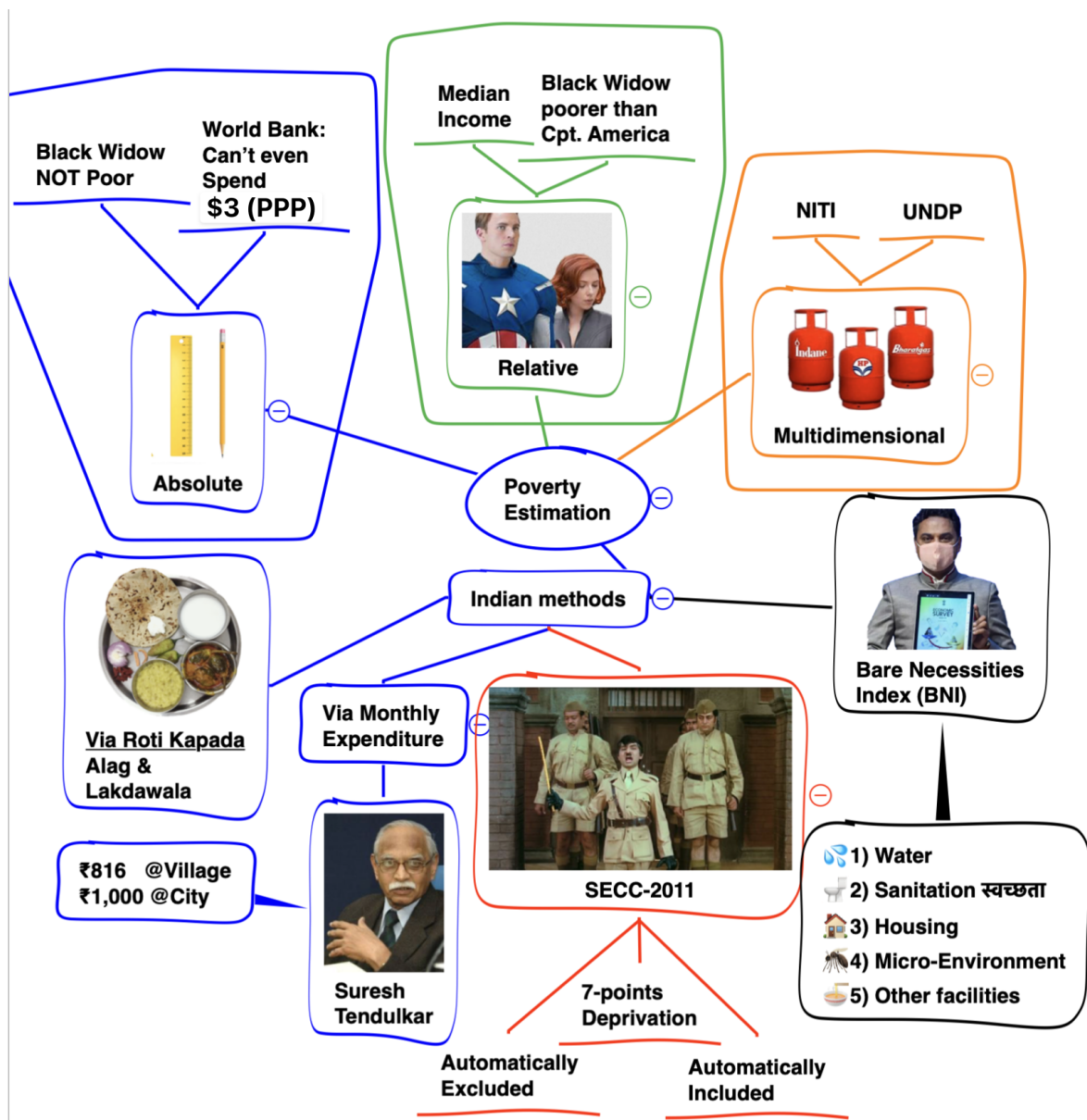
64.2 POVERTY → MEASUREMENT / ESTIMATION (गरीबी का निर्धारण)

64.2.1 Poverty Line Features from NCERT

- Poverty line may vary with time and place.
- Each country uses an imaginary line depending on their existing level of development and its accepted minimum social norms.



- For example, a person not having a car/room-heater in the United States may be considered poor, but not in India.
- China - only 0.1% poverty (2000); Russia- previously 0% but increased to 3% (2020)



64.2.2 🍳🔧🔧 Videshi methods → World Bank

- ⇒ World Bank's International Poverty Line (IPL) stands at person living daily on US\$3 (PPP exchange rate). What is PPP? (Ref: Pillar#3B)
- ⇒ So, a person who spends less than an **absolute** amount '\$3' a day is considered 'below IPL line' → classified as poor.
- ⇒ So, spending \$3.00 or more= is non-poor while \$2.99 is poor. This is an example of "**Absolute Poverty**" (निरपेक्ष निर्धनता) measured with an artificial line. The result is usually expressed in **Poverty Head Count Ratio (HCR)** कुल स्थानीय व्यक्तियों का अनुपात i.e. proportion of a population that lives, below this poverty line



⇒ 🇮🇳 World bank aims to eliminate extreme poverty by 2030. In this context, they published reports titled 'Poverty and Shared Prosperity' in 2016, 2018, 2020

⇒ 🇮🇳😞 World Bank's 'Poverty and Shared Prosperity-2020 report noted: Coronavirus may push 150 million into poverty by 2021. Also criticized India for that lack of latest data on poverty, But appreciated Mumbai Dharavi slum community support to poor families during the Corona.

Side note: **Relative Poverty** (सापेक्ष निर्धनता): Households are arranged in ascending order of annual income → Households earning less than x% of median income is classified as poor. (e.g. UK uses x=60%) Thus it measures poverty 'relative' or 'compared' to how much others are earning.

64.2.3 World Bank Poverty Line Changed

World Bank Definition (EXTREME POVERTY)	BEFORE	AFTER	LATEST
Extreme Poverty Line	\$1.90	\$2.15	\$3.00
PPP-Dollar exchange rate counted at which year?	2011	2017	2021

Why Changed? Ans. To adjust for increased costs of basic food, clothing, shelter.

64.2.4 🇮🇳📊 World bank poverty line- three levels (2025)

World Bank	Extreme Poverty	Lower-Middle-Income	Upper-Middle Income
Before	\$2.15	\$3.65	\$6.85
Revised line	\$3.00	\$4.20	\$8.30

64.2.5 🇮🇳📊 World Bank: Poverty Declined in India to 5.25% (2025)

Matter	2011 Poverty Rate (%)	2022 Poverty Rate (%)
Poverty Line	\$2.15	\$3
Indian Poor%	27.12%	5.25% ही गरीब है!
Indian extreme poor%	16.2%	2.3%
Indian poor head-count	344.47 million people	75.24 million people

😞 Mains-Reflection- if only 5.25% public is suffering extreme poverty then why NFSA Act giving free 5kg ration to 67% population / 80 cr people?

64.3 📊 COMPOSITE / MULTIDIMENSIONAL MEASUREMENT OF POVERTY

- The income based definition of poverty captures only a 'minimum' subsistence level of living (e.g. World Bank definition). They don't capture a 'reasonable' level of living.
- So, a composite/multidimensional index that aggregates a range of individual indicators into a single score. (सम्मिश्रित/बहुआयामी सूचकांक)
- The core idea hereby is to move beyond financial aspects and capture the broader dimensions of wellbeing such as health, education, standard of living.
- e.g. UNDP's human development index (HDI, ref Pill6E), UNDP's MPI, NITI's MPI.

64.3.1 🇮🇳📊 Videshi methods → UNDP-MPI: ~16% Indian *juntaa* is poor (2022 report)

- As per World bank definition, if a person is spending \$3 per day/or more = he is NOT Poor. Although, he would be suffering from many deprivations.



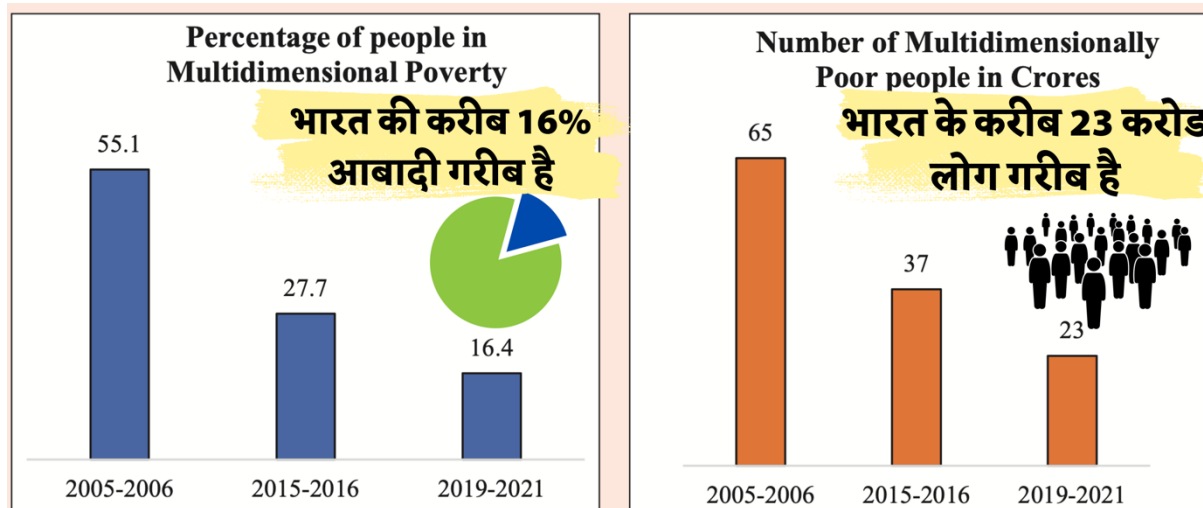
- Multidimensional Poverty Index (MPI बहुआयामी निर्धनता सूची) looks beyond income to understand how people experience poverty in multiple ways.
- prepared by United Nations Development Programme (UNDP) and the Oxford Poverty and Human Development Initiative (OPHI)
- Household survey with set of 10 questions spread across 3 dimensions viz. health, education and standard of living. E.g.
 - A) Health → 1) nutrition, 2) child mortality
 - B) Education → 3) years of schooling 4) school attendance
 - C) Living standards → 5) cooking fuel (dung, wood, charcoal or coal) 6) sanitation 7) drinking water 8) electricity, 9) housing 10) household assets (e.g. radio, TV, telephone, computer, animal cart, bicycle, motorbike, refrigerator, car or truck?).
- These 10 Qs are assigned different weights add data → UNDP arrives at MPI Head count ratio.

Year	2005-06	2019-21 (published in 2022-Oct)	2023 (published in 2025-May)
MPI: % of poor in India	55%	16.4%	16.4%

⇒ India moved 41.5 crore people out of the MPI poverty during 2005-2021 भारत करोड़ों लोगों को गरीबी से बाहर लाने में सफल रहा है.

⇒ largest number of poor people in the world: #1 India (22.8cr) #2: Nigeria.

⇒ globally, 19.1% (=120 crore) people live in MPI poverty



MCQ. The Multi-dimensional Poverty Index of UNDP covers following? (UPSC-Pre-2012)

1. Deprivation of education, health, assets and services at household level
2. Purchasing power parity at national level
3. Extent of budget deficit and GDP growth rate at national level

Codes: (a) 1 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

MCQ. Global Multidimensional Poverty Index developed by the United Nations Development Programme is a measurement of:



1. Nutrition 2. Cooking fuel 3. Assets 4. School attendance:

Codes: (a) 1, 2, 3 and 4 (b) 1, 2 and 3 only (c) 2, 3 and 4 only (d) 1 and 4 only

64.3.2 FAQ: MPI is poverty line or not?

- The UNDP Multidimensional Poverty Index (MPI) is not an example of either an absolute poverty line or a relative poverty line, it is a composite measurement.
- MPI provides a more refined/ complex picture of poverty than traditional poverty lines.
- MPI is not a substitute for poverty lines, but rather a complementary tool that can help us understand poverty in a more comprehensive way. (विकल्प नहीं पूरक है)

64.4 🙌📊 VIDESHI METHODS → INEQUALITY (असमानता)

64.4.1 🙌📊 Videshi methods → Inequality → Gini Coefficient (0-100)

- Italian statistician Corrado Gini(1912)'s a formula for measuring inequality. Its associated graph is called 'Lorenz Curve'
- 0 or 0% = perfect equality; 1 or 100% = perfect inequality.
- World Bank, Credit Suisse, and other international orgs use it.

64.4.2 🏆🇮🇳 Inequality → Gini-Index → India 4th BEST says World Bank! (2025)

Country	Gini score (0-100). Lower score is better
Top-3 : Slovak Republic, Slovenia and Belarus	less than 25
4th Best = India	25.5
China	35.7
United States	41.8

64.4.3 🙌📊 Videshi methods → Inequality – other measures

Global Wealth Report	- By Credit Suisse, an Investment banking company of Switzerland. - Inequality is high in India. richest 10% of Indians own more than 70% of the country's wealth. - More than 70% of Indians have personal wealth below \$10,000.
Inclusive Wealth Report समावेशी धन रिपोर्ट	Prepared every two years (biennial) by UN Environment, to measure sustainability of economy and wellbeing of their people. Last report was prepared in 2018.
Global Social Mobility Report वैश्विक सामाजिक गतिशीलता रिपोर्ट	⇒ By World Economic Forum (WEF) from 2019 onwards ⇒ IF children can experience a better life than their parents, then the country has +ve social mobility. ⇒ It measures– access to health, education, technology access, work opportunities, social protection etc. ⇒ 2020: report launched for the first time. Ranking #1 Denmark> #2 Norway > #3 Finland>...#76 India>....#82: Ivory Coast

64.4.4 🙌📊 World Inequality Report 2022:

by World Inequality Lab (Paris based research org), with economists Thomas Piketty etc.



- ⇒ 1) World's richest 10 per cent own around 60-80 per cent of wealth and the poorest half systematically own less than 5 per cent of wealth (विश्व असमानता रिपोर्ट में पाया गया कि पूरी दुनिया की 60-80 प्रतिशत की संपत्ति- केवल 10% अमीरों के कब्जे में हैं जबकि सबसे गरीब लोगों के पास पूरी दुनिया की 5% संपत्ति भी नहीं है)
- ⇒ 2) Women today get just one-third of all labour income in the world.
- ⇒ Suggested more tax on rich. (अमीरों पर ज़्यादा कर लगाया जाए ऐसी सिफ़ारिश)
- ⇒ India 'very unequal': The bottom 50% population earned less than Rs 55,000 per year, while the top 10% Indian population earned over Rs 11 lakhs per year.

FAQ: "this data is not matching by the NSO data given in Pillar4C Handout. Ans. This data is collected by a non-govt organisation based in foreign nation!

64.4.5 🤝📊 Oxfam Inequality Index वैश्विक असमानता सूचकांक

- ⇒ UK's NGO Oxfam International's 'Commitment to Reducing Inequality (CRI) Index'
- ⇒ It measures Govt's 'seriousness' in reducing inequality by 3 dimensions 1) Govt's spending on social sector 2) progressive taxation 3) labour rights.
- ⇒ 2018 Ranking: #1: Denmark, #147: India, #157: Nigeria (lowest)
- ⇒ 2020-Jan: Oxfam presented a report in WEF-Davos summit that 1% Indian hold four times more wealth than 70% of poor and it would take a female domestic worker in India 22,277 years to earn what a top CEO of a technology company makes in one year.
- ⇒ 2021, 2022: SIMILAR BOL-BACHCHAN like above. More suited for Mains than Prelims. So not updating it here.

इनका तो रोज का रोना लगा रहता है कि भारत में अमीर आदमी ज्यादा अमीर हो रहा है लेकिन प्रिलिम में ऐसे तथ्यों की उपयोगिता कम है. इसलिए ज्यादा पन्ने में इधर भर नहीं रहा.

64.4.6 🙏♀️ Period Poverty (मासिक धर्म के चलते गरीबी)

- ⇒ It's a concept about how social taboo/hygiene issues surrounding menstruation period prevent women from rising to their true potential in education and employment. मासिक-धर्म के साथ जुड़े हुए सामाजिक-निषेध और स्वच्छता की समस्याओं के चलते महिला शिक्षा-रोजगार में उनकी वास्तविक क्षमता को हाँसील नहीं कर पाती अतः पुरुषों की तुलना में 'गरीब' रह जाती है।
- ⇒ Menstruating girls miss school because they don't have access to sanitary products / separate toilets to change pads at school.
- ⇒ Chhaupadi: an ancient practice in rural Nepal. Menstruating women forced to live in separate mud huts → death due to infection / illness. (अलग झोपड़ी में रहना पड़ता है बीमारी में मृत्यु)
- ⇒ 2020: Scotland- first country to issue a bill/law for providing free sanitary products to women, to end period poverty. India has 0% GST on Sanitary napkins, UK also abolished sales tax on it.
- ⇒ 2021: "Udaan" free sanitary napkin distribution scheme of Rajasthan govt for all females.

64.5 🤝📊 DESHI METHODS: (BPL: गरीबी रेखा से नीचे)

VM Dandekar & N Rath (1971)	made the first systematic assessment of poverty Based on National Sample Survey (NSS) data from 1960-61. poverty line = amount of money needed to buy 2250 calories per day in both rural and urban areas.
Alagh Committee (1979)	• Adult daily calories intake: 2100 (Urban), 2400 (Rural). If a person is not getting this much calorie he is Below Poverty Line (BPL).



AB CD !! MCQ. Find Correct about Tendulkar Poverty Line (2009)? (CDS-2024-1)



1. The Committee had used an all-India urban poverty line basket as a reference to derive both rural and urban poverty levels.

2. The Committee had anchored the poverty line to the official food calorie norms.

Code: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

MCQ. The Rangarajan poverty line incorporated which of the following? (CDS-2024-2)

1. A food component

2. A normative level of expenditure for essential non-food items

3. A behaviourally determined expenditure for other non-food items

Codes: (a) 1 and 2 only (b) 2 and 3 only (c) 1, 2 and 3 (d) 1 and 3 only

64.5.1 Poverty levels below 5%, claims SBI Research Paper (2024)

Matter	Rural	Urban
A. Poverty Line: 2011–12	₹816	₹1000
B. Poverty Line: 2022–23 (after adjusting for inflation)	₹ 1,622	₹ 1,929
C. Average per capita monthly expenditure (2022–23) ^{^^}	₹ 3,773	₹ 6,459

- SBI researchers argument is that since Row-C > greater than Row-B= majority of people are spending more money than the poverty line limits → Poverty has declined to 4.5–5%

^{^^}Ref: Pillar#4E: household consumer expenditure survey

64.5.2 Poverty levels below 5%, claims NITI Aayog CEO (2024)

Basically, his argument is similar to SBI researcher's argument- given in previous section.

64.5.3 DESHI methods → SECC-2011

Socio Economic Caste Census (सामाजिक आर्थिक एवं जातिगत जनगणना)

- SECC is different from poverty lines **because** SECC's primary objective is not to 'measure' poverty but rather 'eligibility' of a family for Govt schemes. गरीबी नहीं, सरकारी योजनाओं में आपकी पात्रता देखी जा रही है
- SECC is different from Population Census (जनगणना) because under Population Census Act, 1948 Govt must keep individual's personal information confidential. But SECC is done outside of it, so personal information can be uploaded online (e.g. Mr.X is given ₹ ₹ for PM Awas Yojana because he was found eligible in SECC)
- SECC 2011 was a paperless census done by electronic devices.
- Nodal? Rural Development Ministry, Below them→
 - Rural area → Rural Development Ministry
 - Urban area → Urban Affairs Ministry
 - Caste Census component → Registrar General & Census Commissioner, India (Home Ministry)

SECC-2011 classified (rural) Households were classified into three categories:



Automatically excluded	7 Deprivation Indicators अभाव के 7 संकेत	Automatically included in a SCHEME if
1) Motorized vehicle/ fishing boat. 2) Kisan credit card with limit of over Rs. 50,000/-. 3) If govt employee / owner of non-agro enterprises / earning >10k/per month 4) Paying income tax /Professional tax. 5) 3 or more rooms with pucca walls and roof. 6) Owns a refrigerator/Owns landline phone. 7) Owns more than "x" acre of land	1) Landless households earning from manual labour? 2) One room house with kuccha walls & roof? 3) No adult (18-59 aged) member in household? 4) No literate adult in household? 5) Female headed household with no adult male member? 6) Households with only PH members? 7) SC/ST Households?	1) Households without shelter 2) Destitute / living on alms (निराश्रित / भिक्षु) 3) Manual scavengers 4) Primitive Tribal Groups (आदिम जनजातीय समूह) 5) Legally released bonded labourers (बंधुआ मजदूर)
7 cr. (~39%) out of 18 cr rural households here	11 cr. (~43%) rural households here.	16 lakh (~0.9%) rural households here

If a govt scheme is using SECC-2011 data then

- ✓ **Left column-walla:** automatically excluded (स्वतः बाहर करना) from scheme benefit.
- ✓ **Right column-walla:** automatically included.
- ✓ **Middle column-walla:** included based on how deprived they are. So household with more 'yes tickmarks' will get first preference in allotment of PM Awas Yojana, PM Ujjwala cylinder connection etc. over a less deprived households (बंचित परिवार).
- PM Jan Arogya Yojana (₹ 5lakh annual health insurance) also uses SECC data to cover 8 cr rural + 2 cr urban = 10 cr families.
- During SECC (Rural) survey → Households were asked questions → results displayed at Gram Sabha → others can 'counter' it (like Mr. X is not a destitute but has mercedes car!) → reverification.
- SECC (Urban) methodology slightly different but we need not PHD. Further, Govt has not released the 'Caste census' portion of this SECC.

64.6 🙌🏠 DESHI METHODS → NITI-MPI: ~11.28% INDIANS POOR (2022-23)

- ⇒ 2021-Nov: NITI Aayog prepared India's own first ever MPI Index.
- ⇒ This Multi-dimensional Poverty Index (MPI)'s calculation methodology is inspired by **Alkire-Foster methodology**.



64.6.1 Alkire-Foster methodology used in NITI-MPI

- developed by researchers Sabina Alkire and James Foster at OPHI (Oxford Poverty and Human Development Initiative)
- It is a flexible technique for measuring poverty or wellbeing.
- Format similar UNDP (United Nations Development Programme)'s MPI (Multidimensional Poverty Index).

64.6.2 NITI-MPI → Indicators / definitions

- ⇒ NITI's MPI Index has 3-Dimensions (– health, education, and standard of living): Each given equal weight). Total 12 Questions: nutrition, school attendance, years of schooling, drinking water, sanitation, housing, bank accounts etc. (नीति आयोग का बहु आयामी गरीबी-निर्धनता सूचकांक। स्वास्थ्य शिक्षा और जीवन स्तर के तीन आयामों पर कुल मिलाकर 12 अलग अलग प्रश्नों के आधार पर लोगों की गरीबी को नापा जाए)
- ⇒ NITI has collected data indirectly through National family health survey (NHFS)

12 indicators	A household is considered deprived if _ _
1. Nutrition	(1) A woman (15 to 49 years) or a man (15 to 54 years) is undernourished if their Body Mass Index (BMI) is below 18.5 kg/per square meter (2) Children under 5 years of age are considered malnourished → if their score of height-for-age (stunting) or weight-for-age (under- weight) is below minus two standard deviations from the median of the reference population. Even if a single member of the household is identified as undernourished, the entire household is treated as deprived in nutrition.
2. Child-Adolescent Mortality	If any child under 18 years of age has died in the household in the five-year period before the survey.
3. Maternal Health	If any woman in the household who has given birth in the 5 years preceding the survey has not received at least 4 antenatal care visits for the most recent birth or has not received assistance from trained skilled medical personnel during the most recent childbirth.
4. Years of Schooling	If not even one member of the household aged 10 years or older has completed six years of schooling.
5. School attendance	If any school-aged child is not attending school up to the age at which he/she would complete class
6. Cooking Fuel	If a household cooks with dung, agricultural crops, shrubs, wood, charcoal, or coal.
7. Sanitation	If the household has unimproved or no sanitation facility or it is improved but shared with other households.
8. Drinking Water	If the household does not have access to improved drinking water or safe



12 indicators	A household is considered deprived if _ _
	drinking water is at least a 30-minute walk from home (as a round trip).
9. Housing	If the household has inadequate housing the floor is made of natural materials, or the roof or wall are made of rudimentary materials e.g. Mud, clay, earth, sand and dung.
10. Electricity	If the household has no electricity.
11. Assets	If the household does not own more than one of these assets - radio, TV, telephone, computer, animal cart, bicycle, motorbike, or refrigerator; and does not own a car or truck.
12. Bank Accounts	If no household member has a bank account or a post office account.

AB CD !? MCQ. According to the National Multi- dimensional Poverty Index (MPI) constructed by the NITI Aayog, a household is considered deprived if _ _ (CDS-2023-I)

1. a single member of the household is identified as under-nourished
2. the body mass index of a woman member, between 15-49 years of age, is below 18.5 kg/m^2

Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

AB CD !? MCQ. Which one of the following indicators is included in the National (MPI)? (CDS-2023-I)

(a) Years of schooling (b) Literacy rate (c) Life expectancy (d) Per capita income

64.6.3 NITI-MPI 2024 Report: Nearly 25 cr lifted from Poverty in 9 years

Year	2005	2013	2015	2019	2022-23
Population	55.36%	29.17%	24.85%	14.96%	11.28%

- 24.82 crore people escaped multidimensional poverty in 9 years (from 2013–14 to 2022–23).
- It means 2.75 crore people escaping it every year.
- India is all set to reach single-digit poverty levels during 2024.
- Thus, India is much ahead of the target of reducing poverty in by half, by the year 2030.

64.6.4 NITI-MPI 2024 Report: → best performing states

Earlier in 2021's report, NITI observed that

⇒ **Highest Poverty in 2021's Report?** 1) Bihar (52% Population is poor) 2) Jharkhand (42% Population), 3) Uttar Pradesh (38% Population), 4) MP (36%) 5) Meghalaya (32%)

⇒ **Lowest Poverty in 2021's Report?** Kerala (0.71%), Goa (3.76%), Sikkim (3.82%), Tamil Nadu (4.89%) and Punjab (5.59%)

Now in 2024's report, NITI observed:

Best Rank	How many people escaping poverty during 2013–14 and 2022–23
1) Uttar Pradesh	5.94 crore people escaping poverty
2) Bihar	3.77 crore escaping poverty



3) MP	2.30 crore escaping poverty
4) Rajasthan	1.87 crore.

64.6.5 🏠🔧🔧 *deshi methods* → 🇮🇳🍪👕🏠 Bare Necessities Index (BNI) By 📖📖 ES21

⇒ Nobel Winner Economist Dr. **Amartya Sen** defines poverty as a failure to achieve certain minimum basic needs. Therefore, access to “the Bare Necessities” such as **Food, Housing, Water, Sanitation, Electricity, Clean Cooking Fuel** are a **Sine-Qua-Non / Prerequisite** for poverty alleviation and a decent life. [अमर्त्य सेन के हिसाब से गरीबी का मतलब है न्यूनतम ज़रूरतों या क्षमताओं को हासिल करने में विफलता. अतः गरीबी उन्मूलन के लिए भोजन, आवास, पेयजल, स्वच्छता, बिजली इत्यादि ज़रूरी/ न्यूनतम आवश्यकता की चीजे/सुविधाएँ लोगों को मिले यह अनिवार्य है]

⇒ So, 📖📖 ES21 Vol1 Ch10 prepared a **Bare Necessities Index** to quantify this approach. (उक्त सोच/ दृष्टिकोण के मालात्मक रूप से मूल्यांकन के लिए आर्थिक सर्वेक्षण ने बनाया है ‘ज़रूरी आवश्यकता / बुनियादी आवश्यकता सूचकांक’)

⇒ **With 5 Dimensions** viz., water, sanitation, housing, micro-environment, and other facilities and 26 indicators.

5 dimensions[आयाम]	26 indicators (संकेतक). [Note: following table contains only notable/imp/exam-worthy indicators, & NOT all 26 indicators.]
1) Water पानी	Indicators: (संकेतक) ⇒ Source of Water? tanker-truck/ river, dam, stream etc [आपके घर में पेय जल कैसे हासिल करते हैं], ⇒ Distance from water source [आपका घर पेयजल स्रोत से कितना दूर है], ⇒ Method of collection: through tap, carrying pot over head etc. [पानी कैसे जमा करते हैं? नल से, सर पे मटके पे लाते हैं?] Implications: [प्रभाव /असर] If water source away from home→ Water hauling→ daughters' education suffers, since they will have to fetch water. [यदि पेय जल का स्रोत घर से बहुत दूर होगा - लड़कियों की शिक्षा में हानि, क्योंकि उन्हें रोज़ पानी भरने के लिए दूर दूर तक चलते जाना होगा] Related Scheme: Jal Jeevan Mission for Piped water supply
2) Sanitation स्वच्छता	Indicators: nature of toilet, whether exclusive use for household / community toilet? etc [शौचालय का प्रकार] Implications of Open Defecation: [खुले में शौच का मानव जीवन पर प्रभाव /असर] ⇒ Infection, Disease, IMR/MMR [खुले में शौच से बीमारियाँ / मृत्यु] ⇒ safety and modesty, 📉 School attendance of girls, women Unconsciously Intake of food and water so as to avoid going in the daytime → Malnutrition. [सुरक्षा और गरिमा को ध्यान में रखते हुए दिन के समय खुले में शौच में न जाना पड़े इसलिए लड़कियाँ स्कूल नहीं जाती, महिलाएँ भोजन और पानी कम लेती हैं जिसे कुपोषण की समस्या बढ़ती है] Related Scheme: Swachh Bharat Mission
3) Housing	Indicators: House condition, Nature of wall and roof etc. [मकान छत की स्थिति]



मकान आवास	🔍 Implications: Dilatated House = vulnerability to Crime, Disaster, Diseases. [जर्जरित मकान में अपराध, आपदा, और बीमारियों का प्रभाव/भेद्यता ज्यादा] 🏠 Related Scheme: Pradhan Mantri Awas Yojana
4) Micro-Environment सूक्ष्म पर्यावरण	📊 Indicators: ⇒ Drainage system of the household [गटर व्यवस्था का प्रकार] ⇒ flies/mosquitoes problem during the last 365 days. Did govt authorities came to tackle that problem? [मच्छर की समस्या के लिए क्या पिछले एक वर्ष में सरकार मदद करने आयी थी?] 🔍 Implications: Vulnerability to Diarrhea jaundice malaria etc. [उक्त सुविधाएँ नहीं होंगी तो बीमारियों का प्रकोप ज्यादा]
5) Other facilities अन्य सुविधाएँ	📊 Indicators: ⇒ ⚡ Electricity (🏠 Related Scheme: Saubhagya Yojana) ⇒ 🍳 Cooking fuel: LPG, firewood, dung cake (🏠 Related Scheme: Pradhan Mantri Ujjwala Yojana) [रसोई में इस्तेमाल होने वाले ईंधन का प्रकार] ⇒ 🍳 Kitchen type [रसोईघर का प्रकार], Bathroom [स्नानगृह का प्रकार] 🔍 Implications: ⇒ Wood / charcoal / dung / kerosene → Indoor air pollution → Mother and child health 📉। लकड़ी/गोबर = घर में वायु प्रदूषण के चलते स्वास्थ्य को नुकसान ⇒ Firewood / dung collection: 1) Girls / daughters' education suffers in this labour. 2) Deforestation. ईंधन के लिए लकड़ी बटोरने के चक्र में बेटियों की शिक्षा को हानि, जंगलों की कटाई से पर्यावरण को नुकसान ⇒ Electricity = Mobile internet television radio usage ↑ : Education of child, Democratic awareness of adults. बिजली उपलब्ध होगी तो मोबाइल इंटरनेट टेलीविजन का प्रयोग बढ़े, जिससे बच्चों की शिक्षा तथा वयस्क में देश दुनिया के समाचार और चुनावी/लोकतांत्रिक जागृति बढ़ती है

- ⇒ Based on availability of above facilities → **Arithmetic Mean (Average)** → **Bare Necessities Index** score will be computed → score range from 0 to 1. (उक्त सुविधाओं की उपलब्धता के हिसाब से औसत निकाला जाएगा और एक सूचकांक बनेगा)
- ⇒ Higher the score/value of index, better is the access to the bare necessities (सूचकांक में जितने ज्यादा मार्क्स मिलेंगे वो अच्छी बात होगी)
- ⇒ green, yellow and red, colors will be used in the maps show the level of a State in providing access to bare necessities to its households. (भारत के नक्शे पर विभिन्न रंगों में इसे अंकित किया जाएगा)
- ⇒ Using above data, 📊 ES21 also created sub-indices such as **Drinking Water Accessibility Index, Sanitation Index** etc [उक्त डेटा की मदद से आर्थिक सर्वेक्षण ने कुछ और भी घटक-सूचकांक बना दिए जैसे पेयजल उपलब्धता सूचकांक, स्वच्छता सूचकांक इत्यादि]

64.6.6 🇮🇳🍪🏠 BNI index Findings (सूचकांक से क्या तथ्य सामने आए?)

🥰 Highest progress	Kerala, Punjab, Haryana, Gujarat, Uttarakhand, Delhi, Goa, Mizoram, Sikkim
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🙄 Lowest progress	Odisha, Jharkhand, West Bengal and Tripura (इन राज्यों में प्रगति अच्छी नहीं)
Area wise	Score is better for urban areas than rural areas (गाँव के मुकाबले शहरों में ज़रूरी-आवश्यकताएं अधिक मात्रा में उपलब्ध)

⇒ Economic Survey appreciated schemes for ↑ bare necessities such as Swachh Bharat Mission (SBM), National Rural Drinking Water Programme (NRDWP), Pradhan Mantri Awaas Yojana (PMAY), Saubhagya, and Ujjwala Yojana. [ज़रूरी आवश्यकता उपलब्ध करवाने में मोदी सरकार की विविध योजनाओं की प्रशंसा की गई- आर्थिक सर्वेक्षण द्वारा]

⇒ BNI has ↑ for all the states from 2018 (Modi-raj) compared to 2012 (Congress Raj).

Consequently, from 2012 to 2018's National Family Health Surveys show 📉 in infant mortality, health outcomes improved etc. Here 📊 ES21's tone is similar to **Thalinomics** (Ref Pillar4C). कुल मिलाकर 2012 की तुलना में 2018 में ज़रूरी आवश्यकता सूचकांक में बढ़ोतरी हुई. जो दर्शाती है कि कांग्रेस सरकार की अपेक्षा मोदी सरकार ने बेहतर काम किया. इससे पहले महँगाई वाले थालीनोमिक्स मुद्दे में भी आर्थिक सर्वेक्षण कुछ ऐसी ही बातें कर चुका है.

64.6.7 🇮🇳🍪🏠👍 BNI index Analysis: Conclusion / Significance? [निष्कर्ष / महत्व]

📊 Tracking BNI will help in following ways [इस सूचकांक पे निगरानी रखने से निम्न फायदे होंगे]

- ⇒ SDG monitoring. E.g. Goal 6 focuses on water and sanitation, Goal 7 electricity and clean cooking fuel. (सतत् विकास लक्ष्यों में भारत की प्रगति पर निगरानी में मदद)
- ⇒ Schemes implementation can be improved with real time monitoring, geo-tagging of assets, social audit, direct benefit transfers wherever possible. (इस सूचकांक द्वारा मिले आंकड़ों को देखते हुए विभिन्न योजनाओं को ज़्यादा प्रभावी रूप से, ज़्यादा सतर्कता से लागू किया जाए।)
- ⇒ Improved the Transparency, Accountability, Good-Governance. (पारदर्शिता, जवाबदेहीता और सुशासन में मदद होगी)

64.6.8 Poverty Removal in Rural Areas - 📊 ES23

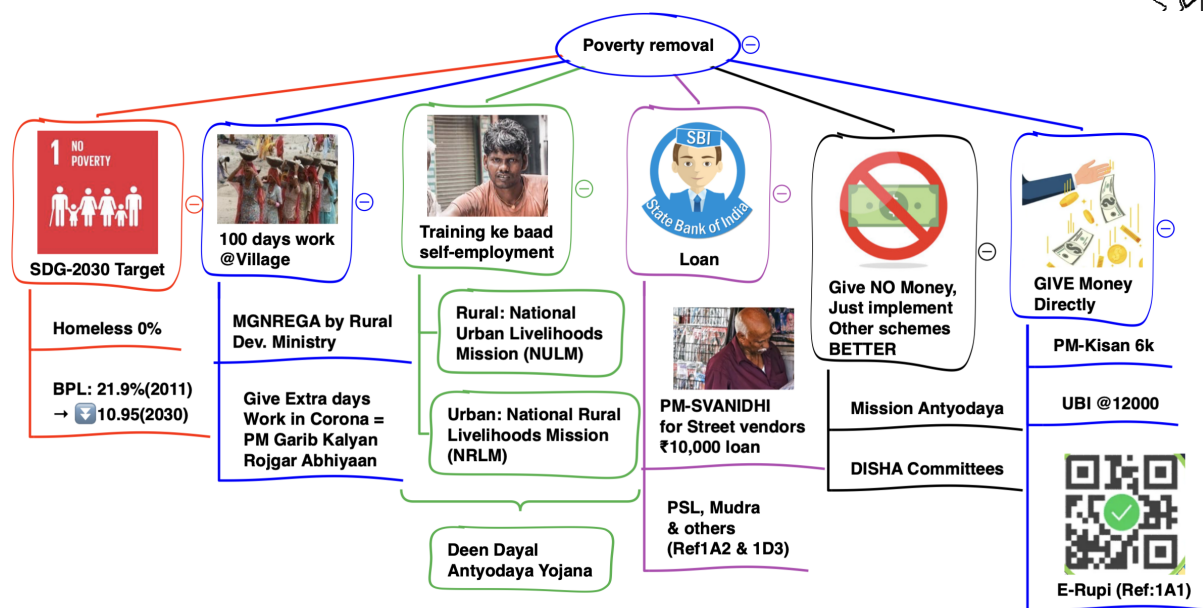
Year	1960	2007	2021
% population living in rural area	80	70	65

- ⇒ 47% of population in India depends on agriculture – said 📊 ES23.
- ⇒ Then 📊 ES23 as appreciated following schemes in improving rural economy. It also applauded variety of insurance, pension, loans / financial inclusions schemes that we have already learned pillar1D (Jeevan Jyoti, Mudra, Vay Vandana, Shram Yogi Maan-Dhan etc). I will not mention them here again to save the number of pages.

64.7 🙌👶👵 POVERTY → POVERTY REMOVAL (गरीबी उन्मूलन)

As per NCERT

- Anti-poverty strategy of the govt has **two pillars** (i) promotion of economic growth (ii) targeted anti- poverty programmes.
- Poverty reduced by **State-efforts** examples: 1) **West Bengal**: land reform (2) **Andhra & TN**: PDS / food distribution (3) **Kerala**- investment in Human development.



SDG Goal 1 aims to end poverty in all its forms everywhere. While it defines **extreme poverty** @\$1.25 but nations are allowed to use their 'national poverty line' methods.

India's SDG Goal1 Baseline Indicators in (brackets)	Target-Goal-2030
Reduce atleast half of the BPL population. So, 21.9% population is BPL (2011) then its half should be removed uplifted. → गरीबी रेखा से नीचे रहने वाले लोगों की संख्या को पहले से आधा करना	10.95% population living below poverty line.
Number of homeless households per 10,000 households (presently ~11)	0 homeless
Households with min. 1 member with health insurance (~29% at present)	100% households
Improve Social Protection Schemes' coverage: (सामाजिक सुरक्षा योजना) - Number of eligible households receiving MNREGA jobs (85%) - No. of eligible households receiving Maternity benefits (36%)	100% households

Over the years we have launched the following schemes for removal of poverty.

Note/Homework: Refer to Pillar1D for

- ✓ NSOAP (National Social Assistance Program- poor people given pension, insurance without needing to pay premium/subscription fees),
- ✓ PMJDY (Jan Dhan Bank Account)

64.7.1 🦁 Poverty Removal Program in Nehru/Rajiv/Indira Times

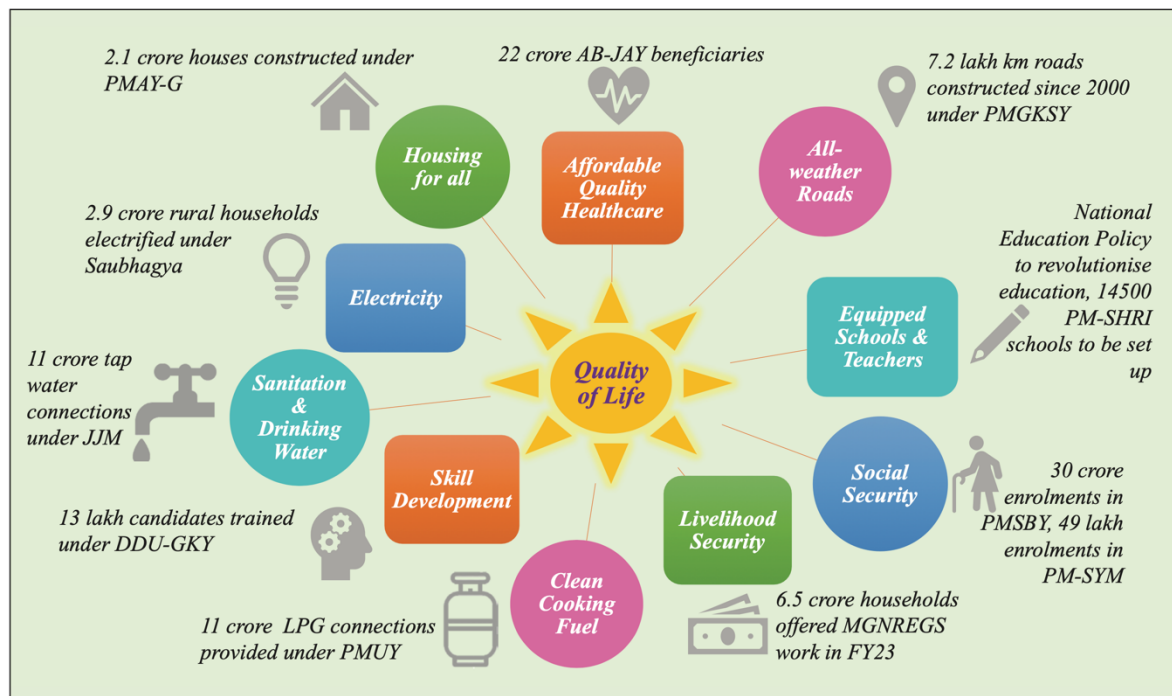
This chronology asked in UP-PSC-2025. If u can't remember, **don't stress**.

Year	Programme Name
1952/53	Community Development Programme
1972/73	Drought Prone Area Programme
1975	Food for Work Programme
1979	Integrated Rural Development Programme
1979	Training for Rural Youth for Self Employment (TRYSEM)
1980	National Rural Employment Programme



1982/86	Development of Women and Children in Rural Areas (DWCRA)
1989	Jawahar Rojgar Yojana

Multifaceted initiatives to improve the ecosystem of quality of life



64.8 🙌🏠👤: POVERTY REMOVAL → MGNREGA (2005)

- ⇒ 2005: Parliament enacted MGNREGA Act.
- ⇒ 2006: starts in 200 districts → 2008: launched in whole country as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS महात्मा गांधी राष्ट्रीय ग्रामीण रोजगार गारंटी कार्यक्रम)
- ⇒ Boss? Ministry of Rural Development → Centrally sponsored scheme → core of the core scheme → not 100% funded by the Union. केंद्र द्वारा प्रायोजित योजना → अति महत्वपूर्ण योजना
- ⇒ Central Employment Guarantee Council under Chairmanship of Rural Development Minister. It advises the Union Government on all matters related to MGNREGA implementation
- ⇒ MGNREGA promises to give minimum 100 days of unskilled manual labour to rural household whose adult members volunteer for it. Households are eligible for unemployment allowances if employment not been provided within 15 days of demand.
- ⇒ MGNREGA labourers are used for creating durable assets as per local needs e.g. ponds, wells, cattle sheds, granary, vermicompost plants, crematorium; renovation of Anganwadi centres, school buildings, playground (तालाब, कुएं, अन्न भंडार, वर्मी कंपोस्ट प्लांट, श्मशान। स्कूली इमारतों का पुनरुद्धार, खेलकूद के मैदान)
- ⇒ No contractors / machinery allowed. (ठेकेदार और यंत्रों की मनाई / इस्तेमाल वर्जित है)



- ⇒ minimum 60% of the work in every district needs to be directly linked with agriculture and allied activities.
- ⇒ In any project, 60% of amt should go towards wages and 40% towards material. (ज्यादा हिस्सा वेतन में)
- ⇒ Union bears 100% wage cost and 75% of material cost. (केंद्र इस अनुपात में पैसा देगा)
- ⇒ **Minimum 1/3rd** of the beneficiaries shall be women.
- ⇒ (DATA) over 5 crore households have taken employment under the Scheme. More than 50% of MGNREGA workers were women from 2018-2022
- ⇒ Social audit by gram sabha once in every 6 months. (ग्रामसभा सामाजिक ऑडिट/ हिसाब की जांच करेगी)

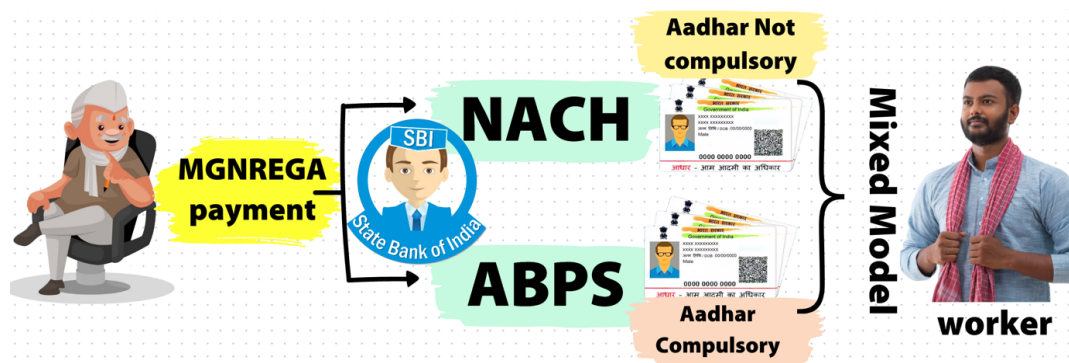
64.8.1 💰 MGNREGA Wages

- ⇒ Wages are linked to Consumer Price Index (Agriculture labour:AL). [Although PM Modi thinking of linking it with CPI-Rural] (महंगाई के हिसाब से वेतन को बढ़ाया जाता है)
- ⇒ 🤖😓 Corona: Atma Nirbhar → MGNREGA daily wages ↑ from ₹182 to 202. So worker will get Rs.20 extra than before. So, works for 100 days = ₹20x 100 days = ₹2000 more than before.
- ⇒ Wages are different for every state because every state has different level of inflation. (हर एक राज्य में महंगाई के अलग अलग दरों के हिसाब से, ये वेतन अलग हो सकता है)

Area	2023-24	2024-25
Lowest Daily Wage:	₹ 221 in MP and Chhattisgarh	₹ 234 in Arunachal and Nagaland
Highest Daily Wage:	₹357 @ Haryana	₹374 @ Haryana
Uttar Pradesh	₹230	₹237
Goa	₹322	₹356
ALL INDIA average	₹261	₹289

2025-26: Centre hikes MGNREGS wages by 2-7%.

64.8.2 🧑‍🌾 ♀ MGNREGA - DBT: Mixed Model continued



- ⇒ MGNREGA Wages transferred into the bank account thru Direct benefit transfer (DBT).
- ⇒ There are two methods of DBT used in MGNREGA (both designed by NPCi, ref Pillar1A1.)

DBT Channel	ABPS	NACH
Full Form Not IMP	Aadhaar Based Payment System	National Automated Clearing House



Is Aadhar Mandatory?	Yes	Aadhar not required. This method is used if the worker Aadhaar card is not linked with his bank account.
How many workers used this system?	95%	5%* *

- *2023: government wanted to stop payments thru NACH system. But because of some operational difficulties, government has decided to continue both the systems.
- Thus using of both ABPS and NACH system known as “Mixed Payment Model”.
- 2024: Controversy / opposition going on because govt wants to shift completely to ABPS.

64.8.3 🧑‍🌾 ♀ MGNREGA → 💰 Budget-2023 allocation reduced than 2022

💰 Budget-2023: MGNREGA allocation decreased with the hopes that economy un-lockdown → villagers will return to cities for work so they'll not need so much work under MGNREGA. (अर्थतंत्र पुनर्जीवित हो रहा है तो अब गांव वाले वापस शहरों में रोजगार के लिए जाएंगे. तो गांव में इतना सब काम देने की जरूरत नहीं होगी)

	2022-2023 वास्तविक Actual	2023-2024 बजट अनुमान Budget Estimates	2023-2024 संशोधित अनुमान Revised Estimates	2024-2025 बजट अनुमान Budget Estimates
				(₹ करोड़) (₹ crore)

(A) Core of the Core Schemes

1. Mahatma Gandhi National Rural Employment Guarantee Program	90806	60000	86000	86000
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Note: for 💰 Budget-2025: allotment is ₹86,000 cr.

64.8.4 🧑‍🌾 ♀ 🦶 MGNREGA → Bare Foot Technicians (BFT, 2015)

- ⇒ Rural development ministry to give basic civil engineering training to 10,000 young workers.
- ⇒ Benefit? Skill upgradation for the worker. He can find some other jobs in the construction sector.
- ⇒ Such worker can do better planning, layout, measurement and supervision of MGNREGA work

64.8.5 🧑‍🌾 ♀ 🛠️ MGNREGA: Misc. Reforms / Apps / Portals

Name	Usage
Yuktdhara Portal	for planning the MGNREGA assets using Geographic information system (GIS) and remote sensing. It's developed with help of ISRO.
GeoMGNREGA	portal for keeping track of assets through mobile based photo geo-tagging
SECURE Portal	an online application for preparation and approval for Mahatma Gandhi NREGA works.
NeFMS Portal & NREGASoft Software	National Electronic Fund Management System for DBT of wages to workers' bank account
project “UNNATI”	to upgrade the skills of MGNREGA workers (aged 18-40), so they can find some other job/business. Stipend given during training.



Name	Usage
Amrit Sarovar	Project for construction/renovation of at least 75 Amrit Sarovars (ponds) in each district of the country.
Jaldoot App	rural development ministry and panchayati raj ministry's jointly developed App for monitoring the ground-water in the rural India. So then MGNREGA projects can be planned to meet water shortage.
Ombudsperson App	for complaints related to MGNREGA
Gram Samvaad Mobile App	Here citizens can find information about the money allotted to their village under various rural development schemes, It has initiated debate at the gram panchayat level why development is not happening despite the release of funds.
JanMnREGA	an asset tracking + feedback app for MGNREGA assets.
National Mobile Monitoring Software (NMMS) App	Helps taking attendance of the worker, along with geo-tagged photo.

64.8.6 🚧 MGNREGA: problems/suggested reforms/way-forward

Shifted to Mains Handout. #Prelims-RAFTAAR 🚧

AB CD ? MCQ. Who are eligible to benefit from the MGNREGA Act?(Prelims-2011)

- Adult members of only the scheduled caste and scheduled tribe households
- Adult members of below poverty line (BPL) households
- Adult members of house holds of all backward communities
- Adult members of any household

AB CD ? MCQ. Which one of the following is not an objective of MGNREGA? (CDS-i-2020)

- Providing up to 100 days of skilled labour in a financial year
- Creation of productive assets
- Enhancing livelihood security
- Ensuring empowerment to women

64.8.7 🧰(🔨🔧🛠️👷♀️) Atma-Nirbhar → PM Garib Kalyan Rojgar Abhiyaan (GKRA)

⇒ PM started this "GKRA" from Bihar's Telihar village in 2020-June.

⇒ 🧑🏫 **Boss?** Rural Dev Ministry coordinates with other ministries e.g. roads, mines, Jal Shakti etc.

⇒ 🌐 **Where?** 6 states of Bihar, Uttar Pradesh, Madhya Pradesh, Rajasthan, Jharkhand and Odisha to help the returnee migrants. चुनिंदा राज्यों में लागू किया जाएगा जहां पर प्रवासी मजदूर बड़ी मात्रा में वतन वापस आए हैं

⇒ 🕒 **Duration?** 125 days. To build Panchayat Bhavans, Community Toilets, Rural Mandis, Rural Roads, Cattle Sheds, Anganwadi Bhavans Etc. with help of returnee migrants. कोरोना महामारी में वतन वापस हुए श्रमिकों को रोजगार देने के लिए ग्रामीण बुनियादी अवसंरचनाओं का निर्माण करेंगे

64.8.8 🏰 Rajasthan → Indira Gandhi Shehri Rozgar Guarantee Yojana (2022)

Rajasthan State Govt scheme similar to MGNREGA but for urban / city area people. 100 days work guaranteed in areas such as as tree plantation, cleaning ponds, collecting garbage and catching stray



animals, environment and water conservation, cleanliness and sanitation, stopping defacement of property, heritage conservation etc.

64.8.9 Rajasthan → Minimum Guaranteed Income Bill, 2023

All rural & urban families of Rajasthan given

- employment guarantee of 125 days every year
- minimum pension of Rs 1,000 per month for aged/disabled/single women, etc. This pension will also be automatically ↑ by 15% per year
- Controversy? State government does not have enough money to pay such huge expenditure- Combine with the fact that state government also wanted to revert from NPS to OPS for the state government employees (Ref#1D)= huge expenditure will go in pensions alone.

64.8.10 🙌👨👩👧👦: Poverty Removal → National Livelihood Missions = Skill+Loan

- In the late 70s, Govt had launched Integrated Rural Development Programme (IRDP), Training of Rural Youth for Self Employment (TRYSEM) and a half dozen other schemes
- PM Vajpayee restructured them into Swarnjayanti Gram Swarozgar Yojana (SGSY-1997), Swarna Jayanti Sahari Rozgar Yojana (SJSRY-1999)
- ManMohan restructured them into National Rural Livelihood Mission (NRLM-2011) & Urban Livelihood (NULM-2013) → Modi added Deen Dayal Antyodaya Yojana in prefix.

Table 1: They're Core Schemes (Not 100% funded by Union)

Deen Dayal Antyodaya Yojana: National Urban Livelihoods Mission (DAY-NURM)	Deen Dayal Antyodaya Yojana: National Rural Livelihoods Mission (DAY-NRLM)
राष्ट्रीय शहरी आजीविका मिशन	राष्ट्रीय ग्रामीण आजीविका मिशन
Ministry of Housing and Urban Affairs	Ministry of Rural Development
1. Give urban poors skill training and loan for self-employment → Govt pays its interest subvention via PAISA Portal Portal. 2. Develop vendor markets for urban vendors (शहरी विक्रेता) . 3. Shelters for homeless people. (बेघर लोगों के लिए आश्रय स्थल)	1. Bring min.1 woman from each poor household to Self Help Group (SHG: स्वयं-सहायता समूह) → give them training and loans for candle/soap/handicraft etc. biz. Total 8 crore+ poor women have joined in 81 lakh SHG. 2. Give training to rural men. 1+2= They'll do self employment or skilled wage employment = More income then working as farm labourers. - Social Mobilisation = Urban poor households to form their own institutions - Institution Development = municipal Corporation, banks, private sector etc to facilitate delivery of social and economic services to the poor.



MCQ. Social Mobilisation and Institution Development (SM&ID) is major components of: __ (CDS-2025-2) (a) Deen Dayal Antyodaya Yojana (b) National Urban Digital Mission (c) AMRUT (d) Rashtriya Gram Swaraj Abhiyan

64.8.11 DAY-NRLM: Community Resource Persons (सामुदायिक संसाधन व्यक्ति)

- ⇒ SHG members also given training to become Pashu Sakhi (Animal husbandry advisor), Krishi Sakhi, Bank Sakhi, BimaSakhi, PoshanSakhi (Nutrition advisor) etc.
- ⇒ So they can act as Community Resource Persons (CRPs) to advise/help other villagers. (सदस्यों को तालीम दी जाती है ताकि वे अन्य गांव वालों की भी पशुपालन, खेती-बाड़ी, बैंक - बीमा बचत, पोषण आदि के बारे में सलाह दे सकें.)

64.8.12 🧑‍🔧 ♀ 🏠 DAY-NULM: NIPUN - construction workers skill upgradation (2022)

- ⇒ Boss? Ministry of Housing & Urban Affairs
- ⇒ Objective? Skill training/upgradation of 1 lakh construction workers. So they can find jobs within India and in foreign countries as well.
- ⇒ 'NIPUN' = National Initiative for Promoting Upskilling of Nirman workers.
- ⇒ It's a sub scheme of Deendayal Antyodaya Yojana-National Urban Livelihoods Mission
मकान विनिर्माण के मजदूरों का कौशल्य-वर्धन. ताकि भी भारत में भी, और विदेशों में भी रोजगार हासिल कर सकें.

64.8.13 NRLM → Lakhpati Didi

- Boss? Ministry of Rural Development
- Scheme: Deendayal Antyodaya Yojana- National Rural Livelihoods Mission (DAY-NRLM)
- Under this scheme, 3 lakh self-help groups formed with 9 cr women.
- 2023: Independence Day: PM Modi said "aim of creating 2 crore 'Lakhpati Didis' in villages."

Matter	Present	👛 Interim-Budget-2024
How many women SHG-Members earning ₹ 1 lakh per year?	1 crore women	🎯 Target: 3 cr women

64.8.14 🧑‍🔧 🧑‍🔧 🧑‍🔧: 🧑‍🔧 Poverty Removal → DAY-NRLM/NULM → sub-schemes (उप-योजनाएं)

SUB-SCHEMES	FEATURES
SVEP	Startup Village Entrepreneurship Programme (SVEP-2015): training, loan, marketing assistance etc. to villagers.
SHG Bank loans	Upto ₹3 lakh loan @7% Interest. Government will pay 4.50% interest subsidy on it. So SHG needs to pay 7 MINUS 4.5% = 2.5%
AGEY	Aajeevika Grameen Express Yojana (AGEY-2017): interest-free loans given to SHG to buy public transport vehicle so they can earn ₹ ₹ by transporting passengers.
SonChiraiya	A brand logo for marketing of urban SHGs' products by Urban Affairs Ministry.
MKSP	Mahila Kisan Sashaktikaran Pariyojana: To help women farmers.



SUB-SCHEMES	FEATURES
Prajiwala Challenge	inviting ideas, solutions and actions to transform rural economy from individuals, Social Enterprises, Start up, Private Sector, Civil Society etc.

64.8.15 💰 NRLM: Institutions / funds

Feature	Description
Institutions of Poor	SHGs, livelihood collectives, producers' cooperatives/companies, hubs of production
Training, Capacity Building and Skill Building	With help of SHGs, their federations, government functionaries, bankers, NGOs, community resource persons (CRPs) & other stakeholders
Community Investment Support Fund (CIF)	with help of SHGs, this CIF fund is formed.
Vulnerability Reduction Fund (VRF)	A part of the CIF money is shifted to as Vulnerability Reduction Fund (VRF) - to (1) to help poor families (2) give interest free loans to poor families.
National Special Fund Support	With help of State governments, to reduce poverty and empower rural poor;
Infrastructure Creation and Marketing Support	Activities related to market research, market intelligence, technology extension, developing backward and forward linkages, building livelihoods collectives
Sensitive Support Structures	setup at the national, state, district and sub-district levels. These support structures are staffed with dedicated professionals;

AB CD ? Which one of the following statements about the DDU – GKY is not correct?(CDS-2021-i)

- (a) It is a skill training programme. (b) It is for rural youth from poor families.
 (c) Its objective is placement in wage employment.
 (d) It relies entirely on skill training by Government agencies.

AB CD ? MCQ. How does the NRLM help the poor?(Asked in UPSC-Pre-2012)

- By setting up a large no. of new manufacturing industries and agribusiness centres in rural areas.
- By strengthening 'self-help groups' and providing skill development.
- By supplying seeds, fertilizers, diesel pump-sets, micro-irrigation equipment for free to farmers.

Codes: (a) 1 and 2 only (b) 2 only (c) 1 and 3 only (d) 1, 2 and 3

AB CD ? MCQ. Which is the earliest launched scheme of the Govt of India? (UPSC-CDS-i-2020)

- a) Deendayal Antyodaya Yojana b) Pradhan Mantri Gram Sadak Yojana
 c) Saansad Adarsh Gram Yojana d) Deendayal Upadhyaya Grameen Kaushalya Yojana



64.9 🙌👩🏫👩🏫👩🏫 DEEN DAYAL UPADHYAYA GRAMEEN KAUSHALYA YOJANA

- Rural Youth given FREE skill training using public and private sector training org.

Timeline	Event
1999	Swarnjayanti Gram Swarozgar Yojana (SGSY) launched by restructuring an earlier scheme called Integrated Rural Development Programme (IRDP)
2010	SGSY was split/renamed into two parts: (1) NRLM to form SHGs (2) 'Aajeevika Skill' for skill programs.
2014: 25th September	- was declared the 'Antyodaya Diwas' in honour of Pandit Deen Dayal Upadhyaya's 98th Birth Anniversary. - Ministry of Rural Development renamed 'Aajeevika Skills' as Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)

64.9.1 DDU-GKY - 3 tier structure (तीन श्रेणी/चरण)

3 tier	function / responsibilities
(1) National Unit	responsible for policy, central investments and technical support; under Ministry of Rural Development
(2) State Skills Missions	responsible for state investments, implementation and monitoring controls;
(3) Project Implementing Agencies (PIAs)	these are both public and private training partners. They work for skill training, and placements.

64.9.2 💰 DDU-GKY → Funding quota for Beneficiary (किस समुदाय को कितना पैसा जाएगा?)

Funding	Category	Funding	Category
50%	allocation to SC/ST groups	33%	allocation to women
15%	allocation to minorities	3%	allocation to PH

64.9.3 🧑 DDU-GKY - Beneficiary? (कौन है लाभार्थी?)

Rural youth from poor families, belonging to following groups:

- (a) MGNREGA worker family who completed 15 days of work;
- (b) Rashtriya Swasthya Bima Yojana (RSBY) household; [later this Yojana/scheme was subsumed into PM-JAY ₹5 lakh health-insurance scheme.]
- (c) Antyodaya Anna Yojana card household; (d) BPL PDS card households;
- (e) NRLM-SHG household; (f) Household under auto inclusion parameters of SECC 2011.

Age limit: 15 to 35 years. Higher age limit for SC/ST/Women/PH.

64.9.4 DDU-GKY → placement / jobs (कितनों को नौकरी मिलेगी?)

- Minimum of 70% trainees must get job-placement.
- they must earn get a minimum salary of ₹ 6,000 per month or the minimum wages for given job, whichever is higher.



64.9.5 🧑🏫 DDU-GKY → JK and NE special focus- ROSHNI and Himayat

Under DeenDayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) : two sub-schemes

- **ROSHNI program:** for left wing extremist affected areas of 9 States. Mandatory residential course with 40% coverage to women candidates
- **Himayat program:** for All youth of the UT of Jammu & Kashmir and Ladakh are covered under this scheme with 100% central funding.

64.10 🙌🏻👩🏫: 🧑🏫 POVERTY REMOVAL → DISHA COMMITTEES (2016)



Boss? Ministry of Rural Development (ग्राम विकास मंत्रालय)

- District Development Coordination and Monitoring Committee (DISHA) = elected members of (Parliament + State legislature + Local Governments: PRI, ULB) for efficient and time-bound development of districts.
- They'll meet once every quarter and assess the schemes implementation.
- DISHA Committee's chairman will be the senior most MP (Lok Sabha) from the given district. DM/Collector (IAS) will act as member Secretary to implement the Committee's directives.

जिला कलेक्टर, विधायक और सांसद की समिति बनाकर सरकारी योजनाओं की समीक्षा करेंगे

64.10.1 🙌🏻👩🏫: 🧑🏫 Poverty Removal → Mission Antyodaya (2017)

Boss? Ministry of Rural Development (ग्राम विकास मंत्रालय)

- It's similar to those two timepass 'Adarsh Gram Yojanas' we learned in Pillar#5.
- Here Govt will implement the other ongoing schemes with more vigilance and accountability with the help of Gram Panchayat, NGOs, SHGs, ASHA workers etc.
- **Target?** At least 50,000 Gram Panchayats become poverty free by 2020.

नया पैसा नहीं देंगे बस अन्य सारी योजनाएं अच्छे से लागू करो ताकि गरीबी दूर हो सके

64.10.2 🙌🏻👩🏫: 🧑🏫 Poverty Removal → RUDSETI (RSETI)

बेरोजगार नौजवानों को तालीम देने के लिए जिला स्तर पर प्रशिक्षण केंद्र शुरू करो

- Rural Development and Self- Employment Training Institute (RUDSETI / RSETI)
- To provide training to unemployed youth of 18-45 years age group.
- Using 3-way partnership between MoRD (Ministry of Rural Development), state governments and banks.
- The banks must setup at least one RSETI in a district, to provide training to rural youth.

Course	Examples
products based	papad, pickle and masala powder making vastra chitra kala udyami-



	embroidery, fabric painting, costume jewellery udyami, women's tailor
process based	house aaya and beauty parlour management

After training → certificate given by 'Assessment and Certification Board'.

64.10.3 🙌👩🏽💰: 🙌👩🏽💰 Poverty Removal → SMILE 75 (भिखारी-मुक्त हो 75 शहर)

⇒ By Social Justice Ministry to make 75 cities "begging-free".

⇒ To help beggars through rehabilitation, medical facilities, education, skill development, economic opportunities etc.

भिक्षुओं का पुनर्वास, चिकित्सा सुविधाओं, शिक्षा, कौशल विकास, आर्थिक अवसर आदि

64.11 🙌👩🏽💰: 🙌👩🏽💰 POVERTY REMOVAL → DIRECTLY GIVE ₹ ₹ → UBI

Int-Budget-2019: We are spending ~₹ 12 lakh crores in schemes. Out of that ₹3.3 lakh crores in subsidies. Yet, schemes/subsidies suffer from two problems.

- **Inclusion Error** (समावेश त्रुटि): Non-poor families receive benefits = "free rider" problem. ~40% of Food subsidies wasted in this manner. (जो लोग वास्तव में गरीब हैं कि वो सरकारी योजनाओं की मज़े ले जाते हैं)
- **Exclusion Error** (बहिष्करण त्रुटि): Real Poor not receiving benefit. ~40-60% of real needy families don't receive scheme benefit. (जो वास्तव में गरीब हैं उनको सरकारी योजना का लाभ मिल नहीं रहा)
- **Leakage** (रिसाव): 20-36% money allotted in PDS/MNREGA is gone in corruption by the middleman / bureaucrats. (भ्रष्ट अफसर और दलाल पैसा गबन कर जाते हैं)
- Suresh Tendulkar Poverty Estimation Method (2011) says
 - Any rural person who is spending monthly ₹ 816/> is not poor = annual ₹ 9800 />
 - Any urban person who is spending monthly ₹ 1000/> is not poor = annual ₹ 12000/>
- So, Economic Survey 2017 suggested universal basic income (UBI) i.e., transfer money into poor persons bank account directly to increase his purchasing power.
- Arguments in favour and against = Shifted to Mains Handout. #Prelims-RAFTAAR 🇮🇳

64.11.1 🙌👩🏽💰: 🙌👩🏽💰 Poverty Removal: DBT → E-Rupi

Refer to Handout Pillar1A1: Digital Payments. Already covered there.

Next Handout: PILLAR#6D: WEAKER SECTIONs, Women & Child Schemes